

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

AMERICAN INSTITUTE OF PHYSICS ( CIVIL ACTION NUMBER  
and BLACKWELL PUBLISHING, LTD. (

Plaintiff,

**CIVIL ACTION NUMBER**

## VERSUS

3: 12-CV-1230-M

WINSTEAD PC and JOHN DOES 1-10

## Defendants,

UNITED STATES PATENT &  
TRADEMARK OFFICE,

May 22, 2013

Intervenor Defendant. ( 9:15 a.m.

TRANSCRIPT OF MOTIONS HEARING  
BEFORE THE HONORABLE BARBARA M. G. LYNN  
UNITED STATES DISTRICT JUDGE

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1 **PROCEEDINGS**

2 May 22, 2013

3 9: 15 a. m.

4 MOTIONS HEARING

5 (Judge enters the courtroom. )

6 (Court opening. )

7 THE COURT: Good morning. Give me just one second.

8 I'm looking for something. I don't think I have that here.

9 All right. Thank you. The Court has scheduled oral  
10 argument in American Institute of Physics et al. versus  
11 Winstead in which the PTO is an intervenor.

12 May I have appearances, please, first for plaintiffs.

13 MR. DAVIS: James Davis with Klemchuk Kubasta in  
14 Dallas, and William Dunnegan of Dunnegan & Scillepi from  
15 New York on behalf of plaintiffs, your Honor.

16 THE COURT: Thank you.

17 For the Winstead firm.

18 MR. KRYDER: George Kryder representing Winstead,  
19 your Honor.

20 THE COURT: For the PTO.

21 MR. CASAGRANDE: Thomas Casagrande for the United  
22 States Patent & Trademark Office, your Honor.

23 MS. PARKER: Tami Parker with the U. S. Attorney,  
24 your Honor.

25 THE COURT: Thank you so much.

All right. I want to cover a few things before we get

09: 24: 19 1 started.

2 I'm a little bit -- I find the procedural posture of the  
3 case a little bit odd, so I want to talk about that for a  
4 moment.

5 The position of the plaintiff, Mr. Kryder, in some of the  
6 plaintiffs' papers is that it was proposed somewhere along the  
7 way that this proceed as a summary judgment, and that instead  
8 declined, so I'm reviewing the issues here on a motion to  
9 dismiss basis except that the PTO is in effect moving your  
10 position as a motion for summary judgment. I find that to be  
11 odd.

12 MR. KRYDER: The Court will, I trust, recall when we  
13 were here last time you dismissed the complaint, the original  
14 complaint, for their overreaching position, and then granted  
09: 25: 17 15 them leave to amend, but in the process the Court indicated  
16 that as a guide that we could renew our motion to dismiss the  
17 amended complaint.

18 And I think the Court remarked as well -- I can find it  
19 in the transcript -- that we didn't need to go through  
20 additional briefing.

21 So what we have done is, in accordance with that, proceed  
22 in that manner. We didn't think they pled under Twombly what  
23 this amended complaint is about, they can't support it, and it  
24 was -- the limited discovery that the Court permitted us, or  
25 permitted them to have, that we have submitted in connection

09:25:57 1 with it.

2 THE COURT: Well, let me just give an example of an  
3 issue here. I mean, the approach of the plaintiff is that if  
4 the Court is inclined to reconfigure this matter in summary  
5 judgment, then they need more discovery on the issue, for  
6 example, of whether 18 cents per page, assuming that any of  
7 these documents were actually charged to a client, is not a  
8 figure that is devoid of profit. That is, that the firm is  
9 violating its ethical obligation by making a profit.  
10 Therefore, there is a fact question, and they want to run that  
11 one down the pipe.

12 MR. KRYDER: Well, the Court remarked at the last  
13 hearing that that is the definition of a fishing expedition.

14 First of all, they had to have a good faith basis in law  
09:27:00 15 and fact to assert in the amended complaint that, one,  
16 Winstead maintained a library of articles, that's proven to be  
17 false; and two, that Winstead made a profit, that is incorrect  
18 as well. You don't get to file a complaint, and then seek  
19 discovery to try to back it up.

20 The Court indicated at the last hearing that they were  
21 very much on the edge of Rule 11. We were not permitted to do  
22 discovery on that issue, but the fact is, your Honor, the  
23 limited discovery the Court allowed them to have shows that  
24 there were three photocopies in all of the files that Winstead  
25 had. Winstead could not determine that any client had ever

09:27:45 1 been charged for any of those photocopiers, which makes sense.  
2 It's difficult to tell whether anybody had been charged.

3 THE COURT: I want to make sure I understand that,  
4 Mr. Kryder.

5 Is that because if you're my client, I send you a bill,  
6 and on the bill it includes a thousand photocopies for the  
7 month, but I'm not going to say what the photocopies are on  
8 the bill?

9 MR. KRYDER: Exactly. I don't know any firm in this  
10 town, state or country where someone is able to discern it on  
11 that basis.

12 Having said that, there are only three copies. Winstead,  
13 after reasonable inquiry, could not determine that any client  
14 had ever been charged.

09:28:25 15 Some of the clients for whom these articles relate -- and  
16 incidentally, only three of the articles remain in issue. But  
17 some of the clients don't get charged at all. That's their  
18 arrangement with Winstead. But any client who did get  
19 charged, it's no more than 18 cents a copy, and there has been  
20 the sworn interrogatory answer by Mr. Campbell on behalf of  
21 the firm as Winstead's general counsel, that they do not make  
22 a profit on it.

23 It's consistent with practice, the ABA ethics opinion,  
24 and guidelines that is reasonable for a law firm to recoup its  
25 reasonable expenses. That's what Winstead has done.

09:29:08 1 So they can't have discovery to go out and say, hey,  
2 Wi nstead, let's now talk about your benefits for your copy  
3 operator, your electrical charges, all these other thi ngs.  
4 Wi nstead does not make a profit, and therefore there is no  
5 di scovery necessary.

6 The other thi ngs that they say they want in terms of  
7 sweepi ng di scovery are to try to find out what people do, what  
8 is on some of these communi cati ons that are between or among  
9 Wi nstead's key personnel .

10 That, again, is a fishing expedi ti on. So that di scovery  
11 is something that is an attempt to manufacture a claim where  
12 none exists. They had to have a factual basis before they  
13 filed the ori ginal complai nt, before they filed the amended  
14 complai nt. This is an instance of Whack A Mole, Judge, where  
09:30:01 15 every time we come up with -- they come up with a theory, we  
16 beat it down, and now they want to argue something else.

17 THE COURT: Thank you.

18 I have a couple of preliminary questi ons, Mr. Kryder, and  
19 then I'll give you an opportunity to argue.

20 With respect to the PTO's position, I'm not quite sure I  
21 understand what it is that the PTO wants the Court to declare.

22 I mean, these issues are fact intensive. We can have a  
23 general di scussi on. If I adopt the position that Mr. Kryder  
24 is advocating for the firm, that lawyers may make incidental  
25 and necessary copi es, these are phrases that you're advocating

09:30:52 1 as a further explanation, fair use, in this context, but that  
2 doesn't really answer the question.

3 You can imagine, I can imagine, that a firm is making  
4 more copies than would satisfy necessary and incidental, and  
5 it would just depend on what the firm is doing. So what's the  
6 point, and why should I, step out into a general statement of  
7 the law onward from the fact? Why would I do that?

8 MR. CASAGRANDE: Well, your Honor, we're not asking  
9 the Court to do that. What we're asking the Court to do is in  
10 the context of the facts in this particular case that have  
11 been alleged in the complaint, and the facts that came out in  
12 the limited discovery, is to rule that as a matter of law the  
13 fair use defense covers those activities.

14 We think that the formulation that we have offered of  
09:31:55 15 applying those core facts to the fair use factors in this case  
16 would be very helpful to give guidance to patent lawyers as to  
17 what sort of core activities would under any reasonable  
18 circumstances fall within the fair use defense.

19 The fair use defense has four factors that your Honor has  
20 to apply in this case, or any other case raising the fair use  
21 defense, but we think that the core things that Winstead has  
22 been accused of, and which the discovery bore out, are  
23 comfortably within what we have described as the necessary and  
24 incidental circumstances.

25 THE COURT: Well, it's an odd set of circumstances

09:32:39 1 for the reasons I mentioned earlier. This case has been a  
2 moving target. I don't think it's overstating to say that.

3 It looked like the original complaint -- small C  
4 complaint -- was over the firm making copies of prior art and  
5 submitting it to the PTO. I think the original complaint  
6 arguably complained about that, and also about the firm  
7 keeping a copy.

8 Now, you're past that, I think, and I had questions, I  
9 believe I mentioned Rule 11 at the beginning, and so I gave  
10 plaintiffs an opportunity to go out there and see if there was  
11 a legitimate basis for going forward, and we're still here.

12 But you're urging something that the firm has elected not  
13 to, which is to proceed on a summary judgment basis.

14 If I do proceed on a summary judgment basis, the  
09:33:45 15 plaintiffs are asking for discovery, because I limited pretty  
16 severely the discovery. So it's just an oddity that you're --  
17 I don't mean this in an insulting way -- but in a sort of  
18 paternalistic fashion the PTO is super protecting the firm by  
19 taking a procedural approach that the firm on its own behalf  
20 has elected not to take. I just find it odd.

21 MR. CASAGRANDE: Well, I believe our motion was  
22 filed in the alternative, your Honor. It was either a  
23 judgment on the pleading under 12C, or for partial summary  
24 judgment.

25 THE COURT: Well, how do I do that? I mean, I don't

09: 34: 26 1 see how this is a 12C case. On the pleadings I know nothing  
2 about what they're doing.

3 I mean, the argument has been made by the plaintiffs that  
4 they state a prima facie case of a violation of the statute,  
5 because they claim that their works have been copied without  
6 permission, without paying them, and I think it's undisputed  
7 that they haven't. So I don't see that fair use is apparent  
8 on the face of the complaint.

9 Do you?

10 MR. CASAGRANDE: Well, that's one of the reasons why  
11 we styled it in the alternative. We were trying to straddle  
12 both the procedural posture of the case when your Honor heard  
13 Winstead's motion to dismiss, and then said that there would  
14 be another round of briefing on a motion to dismiss the  
09: 35: 24 15 amended complaint. And we know that your Honor also gave the  
16 plaintiffs an opportunity for some limited discovery.

17 Since we had already answered, and Winstead was going to  
18 renew its 12(b)(6) motion, we thought, well, you know, it's --  
19 we're probably in a position where we could do what Winstead  
20 is doing, which in our case, since we had already answered,  
21 would be the 12(c) motion.

22 Then on the other hand, there is some limited discovery.  
23 So we thought in that instance it would possibly be considered  
24 a Rule 56 motion. So that's why we styled it in the  
25 alternative.

09: 35: 57 1                   THE COURT: All right. What is the status of -- I  
2 understand there are cases like this all over the country.  
3 What is the status of the other cases?

4                   MR. CASAGRANDE: The case --

5                   THE COURT: Maybe I should be directing that to  
6 opposing counsel.

7                   MR. CASAGRANDE: Well, I'm involved also in all  
8 three cases, your Honor.

9                   There is one in the District of Minnesota, another one in  
10 the Northern District of Illinois. The Minnesota one,  
11 discovery has largely been completed. I think it is, you  
12 know, by deadline completed. I don't know if there will be  
13 any additional discovery. There are dispositive motions,  
14 cross dispositive motions pending, and a hearing scheduled  
09: 36: 33 15 before the Court in late June.

16                   The Illinois case is proceeding a little bit slower.  
17 That's in discovery right now. I think there is one  
18 dispositive motion pending that the defendant law firm has  
19 filed in that case that does not implicate the fair use  
20 defense. I'm not sure whether that's fully briefed yet or  
21 not.

22                   THE COURT: All right. Thank you.

23                   All right. Mr. Kryder, one more for you.

24                   Why is this a Twombly Iqbal issue?

25                   On the face of the complaint I'm not sure I see how I can

09: 37: 19 1 conclude that this is not plausible. It might not be true,  
2 but I'm not sure how I at this point can conclude that what is  
3 alleged is not plausible, which is the standard set out in  
4 those cases.

5 MR. KRYDER: Two things.

6 One, Twombly has to be plausible. It is not plausible  
7 that when they even indicate in their complaint at paragraph 3  
8 that Winstead is a law firm, and they admit that all of these  
9 articles were submitted to the PTO as part of patent  
10 prosecution.

11 It is not plausible, number one, under Twombly, that  
12 Winstead operates as a commercial copy shop. That's --

13 THE COURT: Well, I understand that one.

09: 38: 08 14 MR. KRYDER: And to the extent that there's the  
15 procedural posture of this being a motion to dismiss, which we  
16 understood the Court wanted us to renew, the Court could  
17 convert this to a Rule 56 motion based on the record before  
18 it.

19 THE COURT: Well, Mr. Kryder, I have to -- part of  
20 the confusion may be my fault, but when I invited you to come  
21 back again, I wasn't thinking ahead of whether the other side  
22 was then going to claim that because the Court would be  
23 resolving the issue based on the factual development in the  
24 record that inevitably it must be a summary judgment, which is  
25 the position that they're taking.

09: 38: 53 1 I mean, I can meddle just so much. I didn't anticipate  
2 that we would be here, so I wasn't -- I had not made a  
3 judgment that the procedural vehicle for you was a motion to  
4 dismiss. I was just saying to you come back again when --

5 MR. KRYDER: I understand.

6 THE COURT: I had not used the term.

7 MR. KRYDER: The Court can convert this, and Courts  
8 do it all the time, to a Rule 56 motion. And on the record  
9 before it, they do not survive. And the discovery that they  
10 want is something that I respectfully would urge this Court  
11 would not permit.

12 What they say they want -- because they had to have a  
13 good faith basis in law or fact before filing their motion for  
14 leave for an amended complaint. They had to have a basis to  
09: 39: 47 15 contend that Winstead was maintaining a library, which they  
16 weren't. That Winstead was making a profit, which they  
17 weren't.

18 The Court asked whether they had any basis, and they  
19 couldn't come up with one. And they don't have one, and they  
20 don't get to go out now -- and the discovery they say they  
21 want is to dispose Winstead personnel concerning their hard  
22 drives. There is already the supplemental appendix and the  
23 sworn interrogatory answer from Mr. Campbell that there is  
24 nothing on the hard drives. So there is no reason --

25 THE COURT: I'm going to come back to this, because

09:40:26 1 you're getting a little ahead of me. I do want to hear from  
2 you on that. I'll hear from you when you're on.

3 MR. KRYDER: Just briefly, your Honor, what we have  
4 here is a continuing game of Whack A Mole from the plaintiff.

5 The first time around they had an overreaching complaint  
6 that took the outrageous position that submitting articles to  
7 the PTO pursuant to a lawyer's ethical and legal duty  
8 constitutes copyright infringement.

9 There was no basis for that. The Court dismissed the  
10 complaint. Copies that are incidental to patent prosecution  
11 are fair use. That's the goal. That is what Winstead does as  
12 a law firm. Winstead should be entitled to its attorney's  
13 fees in prevailing in that position.

14 The central question that was involved at the beginning,  
09:41:09 15 and is there still now, is whether patent lawyers have a fair  
16 use right to make or keep incidental copies of literature  
17 where it's integral to researching, preparing, filing or  
18 prosecuting patent applications. You don't have to get into a  
19 broad discovery on that.

20 Was this incidental to patent prosecution?

21 The answer still is yes. Every one of these 13 articles  
22 the plaintiffs concede was submitted to the PTO. Winstead was  
23 required to submit it as evidence of prior art. This is --  
24 that question isn't going to change based on discovery, or any  
25 other activity.

09: 41: 52 1 THE COURT: Well, I think I have made clear, and I  
2 think the plaintiffs have responded accordingly, but let me  
3 get this in the record now.

4 Mr. Dunnegan, is it accurate that you are not claiming  
5 that submission of photocopies to the PTO constitutes  
6 infringement?

7 MR. DUNNEGAN: Your Honor, we have to make our  
8 position a little bit more precise than what you just stated.

9 The language that we used in the amended complaint -- and  
10 I'm paraphrasing now -- was that we are not claiming  
11 infringement to being copies that the law firm submits to the  
12 United States Patent & Trademark Office that are required to  
13 be submitted by the rules and regulations of the Patent &  
14 Trademark Office.

09: 42: 40 15 For example, if they took an article which has absolutely  
16 nothing to do with a patent, and they filed that with the PTO,  
17 that would not be excluded from the amended --

18 THE COURT: Well, why would they do that?

19 MR. DUNNEGAN: Well, it happens all the time, your  
20 Honor.

21 THE COURT: Well, it's because some lawyer thinks it  
22 has something to do with the patent.

23 MR. DUNNEGAN: Not necessarily.

24 THE COURT: Well, why else would it happen?

25 MR. DUNNEGAN: Because what happens is people will

09:43:06 1 be filling a series of patents -- and I have encountered this  
2 in my other case -- and there was 45 pieces of prior art filed  
3 in that case, and that case had the same general subject  
4 matter as the case that they're working on, so they  
5 electronically import all the copies of the prior art from  
6 that case, and dump them on the Patent Office in the case that  
7 they're working on without ever having read them.

8 That is -- your Honor, it surprised me too to some  
9 extent, but in both the other cases in Illinois and in  
10 Minnesota that's the practice that we are finding. There is  
11 routine mass submissions of blocks of prior art that have not  
12 been read.

13 THE COURT: You're not claiming that here.

09:43:55 14 MR. DUNNEGAN: We -- when you say we're not claiming  
15 that here, we're saying if it was necessary under the rules  
16 and regulations to be submitted, then we're not counting that  
17 as an infringement.

18 THE COURT: Okay. Based on the limited discovery  
19 that you have, do you have any reason to believe that instead  
20 dumped on the Patent Office articles that it could not in good  
21 faith argue were prior art?

22 MR. DUNNEGAN: As of this moment, no.

23 However, that determination really can't be made until  
24 you ask the lawyer if he in fact read it.

25 THE COURT: Well, should I just stop around

09: 44: 39 1 because maybe you will find something bad?

2 I mean, if that's the way we go, then every law firm will  
3 be sued by you and you will take discovery and maybe you will  
4 find something. That's not the way it works.

5 MR. DUNNEGAN: No. No, your Honor, not at all. Not  
6 at all.

7 They're making copies clearly. They are making copies  
8 that have nothing to do with their patent -- with their United  
9 States patent prosecution practice, at least to some extent.

10 And there is the issue which you raised which you really  
11 haven't focused on that much, but is the particular copies  
12 that they made going to be an infringement, and we cannot say  
13 categorically that it will not be an infringement.

14 THE COURT: Okay. Mr. Kryder, you will address,  
09: 45: 33 15 because it's sort of hanging out there, hanging out in the  
16 PTO's approach also; and that is, a foreign patent, I want to  
17 come back to that in just a moment.

18 MR. KRYDER: Sure.

19 THE COURT: But I need to understand a little bit  
20 better the plaintiffs' position.

21 If the PTO sends back an initial office action that  
22 attaches to the action the -- I'll say the same article that  
23 was submitted by the Winstead firm in connection with the  
24 initial prosecution, and the firm copies that initial office  
25 action in its entirety, including the attached article, you're

09: 46: 24 1 claiming that that is an infringement. Is that correct?

2 MR. DUNNEGAN: Well, your Honor, there is probably  
3 going to be more facts involved in what you stated, but  
4 generally yes, I would think that they got the copy from the  
5 PTO, and they can work with that one, and they further copy  
6 it, that's going to be included in the amended complaint.

7 THE COURT: Well, we're not here about whether they  
8 can do that in terms of routing copies. We're here about  
9 whether it is as a matter of law a fair use to send to one's  
10 client a document received by the PTO -- from the PTO without  
11 stripping things off of it.

12 I find it pretty unimaginable that a lawyer is required  
13 to strip down an official document received from a government  
14 agency to avoid an infringement claim. I find that  
09: 47: 22 15 practically impossible to contemplate. So you will come back  
16 to me then.

17 Is it correct that the -- at this juncture there are only  
18 three articles that are in dispute?

19 MR. DUNNEGAN: No, there is not, your Honor. There  
20 were three articles. They have admitted for two of them a  
21 large number of copies. From one, I think four or five  
22 copies. And then for the rest of them they are taking the  
23 position that there were no copies.

24 Now, there is an incongruity in which they are disclosing  
25 information. I'm not saying they did anything that was

09:47:57 1      improper, but we have 13 articles, and for two of them there  
2      is 28 or 38 copies that we can count, and then for some of  
3      them there is not even a copy made to memorialize the  
4      submission to the PTO. We find that very odd. And there is a  
5      lot of -- there is a lot of irregularities in the way they  
6      have disclosed these things, which I can get into now if you  
7      want.

8                    THE COURT: No.

9                    MR. DUNNEGAN: But there is not -- I mean, we're not  
10     prepared to say we're taking out everything except the three  
11     articles.

12                  THE COURT: All right. Go ahead, Mr. Kryder.

13                  MR. KRYDER: Your Honor, I'm hearing a lot of  
14     shuffling, backfilling, nothing that is cited to the record,  
09:48:40 15     and I'm hearing about other cases. We're here about this  
16     case.

17                  Every article that is in question that's on the exhibit  
18     to the amended complaint was attached to or associated with a  
19     patent application. One of the articles related to as many as  
20     11 patent applications. So this is not a circumstance, as  
21     counsel is saying, where Winslow instead dumped something in the  
22     record. There is none of that.

23                  We have interrogatories that the Court allowed that were  
24     narrowly contoured. Every article here was attached to a  
25     patent application.

09:49:15 1       Winstead was making copies that were incidental to a  
2 patent prosecution. There is no evidence that it wasn't.

3           In terms of the issue of -- that we cannot -- Winstead  
4 cannot send a communication received from the PTO to the  
5 client, it's another one of their positions that certainly  
6 does not -- it's beyond any credibility.

7           Since it was on the Court's mind, you asked about  
8 submission on one of the copies went to a foreign attorney in  
9 connection with a related patent application. Whether you  
10 submit something to the UK Patent Office, the German Patent  
11 Office, the Canadian Patent Office, it's still a  
12 quasi-judicial function. It's just as transformative.

13           Winstead's ethical obligations don't stop at the U.S.  
14 border, and the quasi-judicial nature doesn't stop at the U.S.  
09:50:25 15 border. There is no difference between submitting one of  
16 these articles and a related U.S. Patent Office application to  
17 a foreign correspondent who may be in Canada, United Kingdom  
18 or Germany or elsewhere. It's makes no difference whatsoever.  
19 It still has the same protected fair use, because it's in  
20 connection with a patent prosecution.

21           THE COURT: Let me talk about this transformative  
22 issue for a moment.

23           I think that's an unfortunate term, because in this case  
24 nothing has changed that this term evokes a change. I think  
25 the PTO's hearsay analogy was helpful, that it's being offered

09:51:12 1 for a different purpose. I think that -- we're using the word  
2 "transformative," because that's the word in the case that I  
3 find it difficult because nothing has changed, but it's not  
4 being used for its educational scientific purpose. It is to  
5 inform the regulator about the state of the art. I appreciate  
6 the analogy that was suggested. I think that's helpful.

7 MR. KRYDER: I think the PTO general counsel's  
8 opinion at pages 3 to 6 says that it's transformative because  
9 the copies document solely for purposes of patent examination  
10 and prosecution that certain features of the applicant's  
11 claims are already in the prior art or obvious. So it is  
12 using it for a different purpose.

13 THE COURT: When it comes back, if it comes back in  
14 the way that I mentioned and that's sent to the client, that  
09:52:19 15 is -- that is not for those purposes at that juncture. That  
16 is the lawyer's obligation to inform the client.

17 MR. KRYDER: Also, the client, to the extent that  
18 the client is the inventor, the inventor, he or she, also has  
19 legal obligations of disclosure to the PTO.

20 THE COURT: Well, I agree. I'm just commenting on  
21 the re-routing issue.

22 MR. KRYDER: Right.

23 THE COURT: At that point those purposes are not  
24 served by the confidential communication between lawyer and  
25 the client.

09: 52: 48

1 MR. KRYDER: I would agree.

2 In terms of transformative -- I mean, that is one of the  
3 issues that the Courts look to to -- that the Supreme Court  
4 has given us in terms of the analysis.

5 I think it is transformative. The -- Winstead uses the  
6 articles to determine the materiality. You have to read them  
7 to determine the materiality, and to see whether they relate  
8 to the prior art.

9 It's interesting that plaintiffs' counsel is shuffling  
10 all over the place in terms of on the one hand they say  
11 Winstead shouldn't read it, only one lawyer or one staff  
12 member should read the article, and then he goes on to say he  
13 wants to take a deposition to see if the lawyer read it.

14 I mean, you have to be able to read, review, analyze and  
09: 53: 39 15 assess what is in that article, and then when you make an  
16 information disclosure statement, part of what Winstead  
17 argues, and I believe this is what the PTO is arguing, is this  
18 compilation of this information showing what the state of the  
19 prior art is, and that this article of this invention all  
20 relate to it is part of the disclosure.

21 THE COURT: Let me interrupt you for a moment.

22 Am I correct that the plaintiffs could look at all of  
23 these patent applications, because you have identified the  
24 patent numbers, and -- but I don't know the state of the  
25 application?

09: 54: 20 1

MR. KRYDER: Right.

2 THE COURT: Is this information -- well, let me ask  
3 it differently. Just a simple question.

4 Could the plaintiffs verify that the articles relate to  
5 the subject matter of the patent?

6 MR. KRYDER: Yes.

7 THE COURT: So that -- I mean, I suppose in the  
8 world of the theoretical -- I'm not the judge in the Minnesota  
9 case or the Illinois case, and I'm not taking on the burdens  
10 of those cases -- but in theory if I were applying for a  
11 patent on a telecommunication device, and I attached a bunch  
12 of articles that related to how to make concrete, I couldn't  
13 argue that those concrete articles were prior art? I'm trying  
14 to give you something preposterous.

09: 55: 16 15

MR. KRYDER: Right. I don't see how.

16 THE COURT: Okay. So assume it's completely  
17 unrelated.

18 I don't have any of that here?

19 MR. KRYDER: Not only that, the Court will recall  
20 the original complaint had only two articles attached. Then  
21 they went out --

22 THE COURT: Then 11 more were added.

23 MR. KRYDER: Even more were added. What they did  
24 was go out and search the PTO database for applications and  
25 actual patents. And --

09: 55: 43

1 THE COURT: By Winstead?

2 MR. KRYDER: By Winstead. What they were able to  
3 determine -- and you can look at the file, in some instances  
4 they can go to and order the patent file wrapper. You can see  
5 everything that is in an actual issued patent file. You can  
6 get a copy of these articles from the PTO for a fee. It's not  
7 publicly available on the regular database, but it can be  
8 obtained, the same articles, because they are evidence of the  
9 prior art, and they are in the file jacket, the file wrapper,  
10 at the United States Patent & Trademark Office.

11 But they can tell -- and there is no indication here that  
12 Winstead attached a concrete tensile-strength article to  
13 something that relates to something about thermocouplers and  
14 antennas and the like. There is absolutely none of that.

09: 56: 40

15 Every copy or communication about the articles was  
16 incident to the protected fair use activity. That's what  
17 Winstead has sworn to. It's what they have said.

18 We think, your Honor, that some of this is  
19 transformative, if the Court has a concern about that, in part  
20 because it's legally mandated. You have to assemble this art.  
21 You have to make an argument to the PTO. The PTO is going to  
22 respond, sometimes with temporary and other application  
23 actions, and Winstead and its inventor clients have a duty to  
24 read and respond to what the PTO communicates, and to  
25 participate in this quasi-judicial proceeding. That is

09: 57: 25 1 something that none of the cases that the plaintiffs have  
2 cited addresses.

3 This is a quasi-judicial proceeding. It's no accident  
4 that these articles are submitted as evidence of prior art.

5 Your Honor, no matter -- no discovery is going to change  
6 the fact that Winstead never charged any of the clients for  
7 any of the copies that were submitted to the PTO, or to any of  
8 the copies that were exchanged among key attorneys and staff.

9 Same with the foreign patent attorney to the extent that  
10 that --

11 THE COURT: Well, let me back up for a minute. I  
12 just want to make sure I understand you, Mr. Kryder.

13 You are not in a position, and are not representing to  
14 the Court, that those copies were not charged for, you're just  
09: 58: 13 15 saying it is impossible to prove that they were?

16 MR. KRYDER: No. I'll make two distinctions.

17 Photocopies, there were three in the file. Winstead made  
18 reasonable inquiry and was unable to determine that any client  
19 was charged for those three hard copies in the file.

20 If they were, they were charged no more than 18 cents,  
21 and there was no profit.

22 With respect to digital copies --

23 THE COURT: But as to those, there is no discovery  
24 to be done?

25 MR. KRYDER: There is none to be done.

09: 58: 47 1 THE COURT: There are no -- you're representing to  
2 me, and it's in Mr. Campbell's declaration, that there are no  
3 records that would tell us whether those copies were  
4 chargeable?

5 MR. KRYDER: Correct.

6 THE COURT: Okay.

7 MR. KRYDER: Correct.

8 With respect to the digital copies for a scan or a pdf  
9 file that's attached to an e-mail, the record is also clear  
10 and sworn that Winstead doesn't charge for the scans, and it  
11 doesn't charge for the e-mail.

12 So the fact that a copy of an information disclosure  
13 statement and one of these related articles may have been sent  
14 to members of the team at Winstead, nobody got charged for any  
09: 59: 36 15 of those copies, nobody got charged for those e-mails.

16 The most the plaintiff can say is Winstead made an  
17 indirect profit because more than one person read or had the  
18 opportunity to read that e-mail.

19 So what? That is not making a profit on the copy. That  
20 is not maintaining a library. That is not a commercial copy  
21 shop. It's practicing law.

22 THE COURT: Are you intending to talk about this  
23 document management system issue?

24 I'm a little stale on law firm management issues, so I  
25 need a little schooling about what that means.

10:00:18 1 MR. KRYDER: All right. One of the things the  
2 plaintiff has tried to do is to exponentially multiply the  
3 number of copies by saying if there is one scan of this  
4 article attached to an information disclosure statement which  
5 Winstead and its inventor client had a legal obligation to  
6 submit, that if each of the members of the Winstead team got a  
7 copy of it, that each one of those --

8 THE COURT: These are my interns you're pointing at.

9 MR. KRYDER: The interns.

10 THE COURT: Mr. Rector, Mr. Donovan and  
11 Mr. Grindinger.

12 MR. KRYDER: I hope you have a wonderful experience.  
13 I know you will. I would love to have them on the jury.  
14 But members of the team metaphorically --

10:01:03 15 THE COURT: You should strike the panel if you get  
16 that.

17 MR. KRYDER: All right. If given the opportunity,  
18 I'll reconsider.

19 Just because any one of these members of the team got a  
20 copy of that as part of their job in reviewing, analyzing,  
21 typing, whatever their job may be, that isn't -- nobody was  
22 charged for each of those copies, nobody was charged for each  
23 of those e-mails.

24 The technology is that -- for most e-mail systems there  
25 is something called single-instance copying, and what it

10:01:43 1 means, strangely, is that if I have an attached pdf, which is  
2 the information disclosure statement and these articles, and I  
3 send it to five different people, the untutored person would  
4 think, well, that must mean that there are five separate  
5 copies.

6         Actually one of the Microsoft server systems that we  
7 cited in the brief in our motion, at the time what it does is  
8 save only one copy on the network. And what happens as it  
9 goes out to each person, they are accessing that one copy.

10         There have been various versions of that over time, and  
11 because of the number of years involved in the discovery, we  
12 can't tell.

13             THE COURT: Okay. But you're -- what you're  
14 explaining to me is that that issue is not a matter of the  
10:02:39 15 design of the sender.

16         In other words, if I want to e-mail a copy of my opinion  
17 to all of you, there may be -- if I send it to counsel at the  
18 table, there may be five copies on my system, or there may be  
19 one. I don't have any idea.

20             MR. KRYDER: No. I mean, somebody probably -- I  
21 mean, somebody in IT in the United States Government could  
22 probably tell, but on different systems they will have a  
23 single instance where there is only one copy, in others there  
24 will be more.

25         The Court doesn't even need to go there, though, because

10:03:16 1 none of those copies resulted in a charge to the client. None  
2 of them -- Winstead doesn't charge for e-mails or scans.

3 The most --

4 THE COURT: Well, I think that the cost/profit issue  
5 is germane, but I don't think it's dispositive.

6 The plaintiffs' position would be that if Winstead never  
7 charged a dime, or 18 cents, for a single copy of anything,  
8 but was willy-nilly making copies of the published copies far  
9 beyond what any of us would claim to be necessary. It doesn't  
10 matter if you didn't make a profit. They were deprived of a  
11 profit. That's their argument. So the profit issue is not  
12 dispositive. So I am interested in the number of copies that  
13 are being made.

14 If you are making a profit, that hurts you.

10:04:14 15 If you're not making a profit, it doesn't necessarily  
16 exempt you.

17 MR. KRYDER: I understand. And the -- but the issue  
18 of -- you have to look at whether -- I do think you can't  
19 divorce the issue of profit from -- I mean, their pleading  
20 claims that we maintained a library, and the Court just asked  
21 about, well, if they were making bunches of copies, what  
22 Mr. Campbell has confirmed after inquiry of the firm, they  
23 don't maintain libraries on their hard drives, they don't  
24 maintain some central library which the plaintiff was trying  
25 to shoehorn this in as in Texaco, and they don't charge by the

10:04:59 1 e-mail.

2 What you have are multiple people admittedly who are  
3 looking at documents that are being submitted in the course of  
4 prosecuting patents before the United States Patent &  
5 Trademark Office.

6 THE COURT: Can the document management system -- is  
7 it searchable?

8 In other words, if I come to work at Winstead as a lawyer  
9 and I'm working on a patent prosecution on cellular  
10 technology, can I search the document management system to  
11 find prior art that might have been retained on -- I'm going  
12 to say the hard drive, although I don't think this is  
13 scientifically correct terminology -- to find what prior art  
14 is there that relates to cellular technology?

10:06:03 15 MR. KRYDER: No. That would be -- that would be a  
16 library-type system.

17 Let me make two distinctions.

18 THE COURT: Well, whether it's maintained for that  
19 purpose or not, Mr. Kryder, I'm asking you if the system  
20 allows for that kind of searching.

21 MR. KRYDER: There are two different systems. Let  
22 me address them in one order.

23 There is a -- Winstead, like most law firms, has a  
24 document management system, for example, on which you could  
25 save a Word document, a PowerPoint, a pdf, and the

10:06:34 1 interrogatory answer indicates that one or more copies of an  
2 article was saved in the electronic client file that is on the  
3 document management system.

4 So in other words, a scan of an information disclosure  
5 statement and/or an article could be saved on the system, but  
6 it will be assigned a client matter, a client number and a  
7 matter number that relates to that patent prosecution.

8 In other words, it is the client file that happens to be  
9 electronic. A lawyer can go find that document as part of a  
10 client file on that one narrow system.

11 THE COURT: I'm going to make it up. The Kryder  
12 article.

13 So I get hired by Winstead, I'm doing some research on  
14 cellular technology, the Kryder article relates to cellular  
10:07:26 15 technology, can I somehow get into the Winstead system and  
16 type in the phrase, "cellular technology articles," and find  
17 this?

18 MR. KRYDER: No, that's not my understanding.

19 The only instance of a document being saved apart from an  
20 e-mail is something that is in an electronic client file. The  
21 lawyer, her secretary or assistants and others may know that  
22 that document is there, but it's not a full text search where  
23 someone is going to find that.

24 That's no different than having a hard copy client file.  
25 It just happens to be electronic. So that's the -- that is a

10:08:03 1 document management system that most law firms would have, but  
2 there is not some library maintained. That's what the  
3 interrogatory answers indicate. There is no library or copies  
4 maintained on the C drives.

5 In fact, lawyers and staff can't even save to the C  
6 drive.

7 The separate thing would be copies that relate to an  
8 e-mail --

9 THE COURT: Go ahead.

10 MR. KRYDER: And so those are the copies, the main  
11 number of copies that the plaintiff is complaining about.

12 I keep coming back to this, though, Judge, that Winstead  
13 has sworn that it didn't charge for any electronic copies that  
14 they had made. They don't charge for scans. They don't  
15 charge for e-mails.

16 So what it really comes down to is whether it's  
17 incidental to patent prosecution. Winstead has sworn that the  
18 copies made were incidental to its preparation and prosecution  
19 of patent applications under its legal and ethical  
20 obligations. There is nothing to refute that. There will be  
21 nothing to refute that.

22 What the plaintiff is apparently trying to argue is that  
23 there should be exceptions. That a -- that communications  
24 from the PTO to a lawyer cannot be forwarded to the client.

25 That's preposterous. They're taking other positions that

10:09:26 1 are preposterous.

2 I think, though, Judge, if you come back to what the  
3 original amended complaint was, they took the position that  
4 this was Texaco or Princeton.

5 We have briefed this extensively in our motion at pages 6  
6 through 8, and in our reply at page 8. This isn't the Texaco  
7 case. That had an institutional policy of --

8 THE COURT: I am familiar with the case. I  
9 understand the distinctions here.

10 MR. KRYDER: I think other issues in terms of it  
11 being what the plaintiff is arguing, they say that the Court  
12 should find it's not fair use because Winslow instead reaps an  
13 indirect benefit by having lawyers read the articles.

14 You have to read them. You have to review and analyze  
15 them to know whether they can be submitted to the PTO.

16 The fact that you have multiple people on a team as part  
17 of that process, that's called practicing law. It's not a  
18 copy shop. It's practicing law. It's prosecuting a patent.

19 That's an easy test. Is it incidental to the prosecution  
20 of a patent application? Every one of these is yes. You  
21 won't hear them say, no, that these 13 articles weren't  
22 related to specific patent applications. They were.

23 What we're doing is forwarding cost free copies of these  
24 articles internally to staff, externally to clients, and in  
25 one instance to a foreign patent associate in the course of

10:11:04 1 prosecuting a foreign patent. None of that is anything other  
2 than prosecuting a patent.

3 Unless the Court has other issues, I guess I would say  
4 that for the reasons that we have indicated in our briefs that  
5 we think that the motion should be granted.

6 To the extent the Court is concerned that this really has  
7 become a Rule 56 motion, then certainly the Court has the  
8 option of converting it to that.

9 We don't think that discovery is appropriate under the  
10 circumstances here. They don't get to discover a claim that  
11 they had no basis to plead or prove to begin with.

12 I reserve the balance of my time for any rebuttal.

13 Thank you, your Honor.

14 THE COURT: All right. Mr. Casagrande, I'll hear  
15 from you now. Thank you.

16 Let me see if we still have this standing issue so we  
17 don't waste our time on that.

18 Are you still claiming that the PTO doesn't have standing  
19 to address the issues that are addressed by the PTO's motion?

20 MR. DUNNEGAN: Yeah. As to the Newport News case,  
21 yes.

22 THE COURT: Go ahead.

23 Give me just a second.

24 MR. DUNNEGAN: Your Honor, can I clarify that?

25 My standing issue relates to their counterclaim. It does

10:12:49 1 not relate to their Rule 26 intervention on behalf of the  
2 defendants.

3 THE COURT: All right. Excuse me just a moment.

4 There is something urgent that I have to attend to.

5 (Off the record.)

6 THE COURT: All right. Thank you so much.

7 Time wise I'm okay for this morning, so I'm not under a  
8 time crunch here, so take your time.

9 MR. CASAGRANDE: The Patent & Trademark Office  
10 really wants to be practical about this, and so what I wanted  
11 to clarify, if I could, if your Honor could ask this of  
12 plaintiffs' counsel.

13 When he said they're not contesting our Rule 24  
14 intervention, Rule 24 requires someone who intervenes to file  
10:15:41 15 a pleading, and our pleading had, as well as the declaratory  
16 judgment counterclaim, a defense which basically had the exact  
17 same language about the necessary and incidental  
18 circumstances.

19 If Mr. Dunnegan is conceding that we have authority to  
20 pursue the defense that Rule 24 required us to put in, then I  
21 would concede that your Honor does not need to rule, or does  
22 not need to consider our declaratory judgment counterclaim  
23 since essentially they ask for the exact same relief, the  
24 dismissal of the complaint.

25 MR. DUNNEGAN: Your Honor, what I hear him saying is

10: 16: 21 1 do we -- are we contesting at this point his Rule 24 ability  
2 to intervene on behalf of the defendant without asserting a  
3 counterclaim.

4 No, we're not challenging that. It's an assertion of the  
5 counterclaim as part of their initial pleading which we are  
6 saying that they do not have standing under the Newport News  
7 case to bring.

8 MR. CASAGRANDE: Well, while we disagree with that,  
9 as your Honor has seen from our papers, that we don't have  
10 standing to bring the counterclaim.

11 If your Honor were to engage in a ruling in this case on  
12 the merits, and it addressed the substance of the fair use  
13 defense that the Patent & Trademark Office was offering to  
14 your Honor, we would be happy with that.

10: 17: 08 15 THE COURT: Well -- okay. What's not going to  
16 happen here is that I would rule for you, and not convert  
17 their motion to dismiss into a motion for summary judgment.  
18 That's not going to happen. It's procedurally whacky for me  
19 to do such a thing.

20 So either I'm going to grant -- if I rule for them, I'm  
21 either going to grant their motion to dismiss, and not grant  
22 your motion for summary judgment -- motion for judgment on  
23 your pleadings, or I'm going to convert their motion to  
24 dismiss to a motion for summary judgment. If I granted that,  
25 then your motion for declaratory judgment is moot, isn't it?

10: 17: 46 1 I mean, I can't -- I can't envision a circumstance where  
2 I would rule for you without converting Winstead's motion to  
3 dismiss to a motion for summary judgment.

4 MR. CASAGRANDE: If I understand, your Honor, the  
5 premise to your Honor's question, what I would suggest is that  
6 our -- to the extent that our motion is a 12(c) motion in the  
7 alternative, we would view that as consistent with their  
8 posturing their motion as a 12(b)(6) motion since it's exactly  
9 the same standards for both.

10 THE COURT: Well, except in your analysis of the  
11 fair use factors you're talking about the facts in discovery.

12 MR. CASAGRANDE: I don't think we're talking about  
13 them in any greater extent than what Winstead's motion has  
14 discussed.

10: 18: 45 15 THE COURT: To the same extent that Mr. Kryder is  
16 for Winstead, and as I indicated by my first set of  
17 questions -- and I may be responsible for it -- I'm troubled  
18 by it because it is addressing factual matters that are not  
19 present in the complaint. I may not be able to get there  
20 other than through a summary judgment.

21 MR. CASAGRANDE: We don't --

22 THE COURT: If I approach it that way, then I have  
23 to give fair consideration to it, and I will, whether the  
24 discovery that is proposed by the plaintiff is reasonable and  
25 necessary for the outcome.

10: 19: 27

1 MR. CASAGRANDE: We -- we agree with Winstead that  
2 we don't believe as a matter of law based on the fair use  
3 defense that's been asserted under the allegations in the  
4 complaint that this case could as a matter of law be decided  
5 in favor of the plaintiffs.

6 But our main interest is to ensure that when the Court is  
7 presented with what the Court believes to be the proper  
8 procedural vehicle to address the merits, that it consider the  
9 necessary and incidental formulation that we have offered in  
10 our affirmative defense and in our declaratory judgment  
11 counterclaim.

10: 20: 23

12 We would like the Court to adopt that as a further  
13 circumstance that informs the four fair use factors in the  
14 context of the allegations in this particular complaint where  
15 it's directed at law firms and their patent prosecution  
16 practice.

17 That said, you know, I would leave the proper procedural  
18 posture of that to your Honor.

19 THE COURT: I understand.

20 All right. Thank you.

21 MR. CASAGRANDE: Okay.

22 THE COURT: So you will pass for now?

23 MR. CASAGRANDE: Yes.

24 THE COURT: Thank you very much.

25 One more question for Mr. Kryder, and then I'll move to

10: 20: 54 1 Mr. Dunnegan.

2 Mr. Kryder, I'm a little fuzzy on this, and I haven't  
3 researched it. I can't remember if the rules were changed on  
4 this ten-day issue.

5 It used to be that if a court sua sponte were converting  
6 a motion to dismiss to a motion for summary judgment, there  
7 had to be ten-days' notice of that to allow the other party to  
8 supplement the record.

9 That's not in the rule, and I don't remember if that's  
10 because it was taken out, or because it was never there,  
11 that's just a Fifth Circuit interpretation.

12 Do you know?

13 MR. KRYDER: I do not know.

14 THE COURT: All right. Mr. Dunnegan. Thank you.

10: 21: 45 15 Okay. Now, Mr. Dunnegan, you haven't had to answer as  
16 many questions as the other lawyers have, so I'm going to ask  
17 you a series of questions which I want you to address in your  
18 argument. You don't have to answer them now, but work them  
19 in.

20 I need you to give me chapter and verse about what your  
21 case is about. Your complaint is very general. You have  
22 discovery. Not as much as you want, but you have it. I'm not  
23 sure what you're claiming, and I want you to assume that the  
24 facts are that the copies that were made were either made  
25 electronically, there were limited hard copies, that there

10: 22: 32 1 is -- if you claim that you believe you could prove that  
2 copies were actually charged for to clients; that is, that the  
3 declaration of Mr. Campbell is inaccurate, I want you to tell  
4 me how you would propose to do that.

5 I want you to explain to me where the line is between  
6 copies that you're either conceding are legitimate, or you are  
7 not arguing are illegitimate, and the reverse. So that's a  
8 good start, and I will probably have more.

9 MR. DUNNEGAN: Okay.

10 THE COURT: One more issue.

11 (Sotto voce discussion between court and law clerk.)

12 THE COURT: So my law clerk just answered my  
13 question for me.

14 The rules used to say ten days, and in 2010 they  
15 dropped -- it was dropped and now it is a reasonable notice.

16 So there you go. Thank you.

17 MR. DUNNEGAN: Your Honor, let me start with your  
18 first question, which is what is our complaint about.

19 Now, our complaint is about copyright -- our amended  
20 complaint is about copyright infringement for 13 articles.

21 The specific articles that we are claiming infringe are  
22 the ones that the defendants have made internally. We don't  
23 know what those are until they tell us, except the one that  
24 was made that was required by the rules and regulations of the  
25 Patent Office, and an archival copy for their files to

10: 24: 12 1 memorialize such transmission to the Patent & Trademark  
2 Office.

3 Now, our prima facie case for copyright infringement is  
4 met by making a good faith allegation that they made copies of  
5 those articles.

6 Fair use is an affirmative defense on which the defendant  
7 has the burden of proof. Fair use need not be pled in the  
8 initial complaint, because it is an affirmative defense on  
9 which they have the burden of proof. So we wouldn't expect  
10 that the complaint would negate all the issues that would be  
11 relevant to a fair use inquiry.

12 Now, if we were to -- if we were to fast forward and get  
13 beyond the allegations in the complaint and say which copies  
14 were made which are the subject of this case, let me go to a  
10: 25: 08 15 specific example in their answers to interrogatories which are  
16 attached to their appendix.

17 THE COURT: Just a minute. I have read those  
18 extensively. I want to have those in front of me.

19 In a second my other law clerk is going to come in here  
20 and talk to me for a minute, so I will have to stop for a  
21 second.

22 MR. DUNNEGAN: Okay.

23 THE COURT: Can you just direct me to those? I have  
24 read them, but give me a citation so I can find them fast.

25 MR. DUNNEGAN: I think the easiest way is document

10: 25: 33 1 64 --

2 THE COURT: No. Give me your appendix number.

3 Isn't it in the appendix? Give me an appendix number.

4 MR. DUNNEGAN: I'm sorry. The page number of the  
5 appendix is 201. This is their appendix, your Honor.

6 THE COURT: I have got it. Just a second.

7 (Off the record.)

8 THE COURT: I'm sorry one more time.

9 MR. DUNNEGAN: Certainly it's their appendix on  
10 their motion. Page 201 is the page I was going to take you  
11 to.

12 THE COURT: I have got it, and I have looked at it.

13 MR. DUNNEGAN: Now, dealing with what they disclose  
14 on the entry relevant to 4-11-12 they made copies that were  
15 sent by e-mail to foreign counsel in connection with foreign  
16 patent prosecution proceedings.

17 That would be inconsistent with a fair use defense unless  
18 they have a lot of facts that aren't in the record at this  
19 point, because their fair use defense, as I understand it, is  
20 if you look at factor one of Section 107, the purpose of this  
21 is to comply with the obligations of the United States Patent  
22 & Trademark Office under federal law.

23 If they're sending this outside of the country in  
24 connection with a foreign patent application in a foreign  
25 country in an attempt to obtain a commercial advantage in that

10: 27: 39 1 foreign country, then I don't think that has any -- I don't  
2 think that provides any basis whatsoever to say that, well,  
3 that was justified under the United States Copyright Act.

4 And, in fact, the PTO, the general counsel of the PTO,  
5 says he doesn't even know the answer to that one, he would  
6 have to think about it, when I disposed him. So that's one  
7 core --

8 THE COURT: Well, what is the difference -- I mean,  
9 let's just reconstruct this for a moment.

10 Let's assume that this e-mail was to American co-counsel  
11 in connection with a prosecution of a patent before the PTO.

12 You're complaint would be too many copies, but -- is that  
13 what you're complaint would be?

14 MR. DUNNEGAN: Well, yes, that's what we're saying  
10: 28: 40 15 with respect to that one, too many copies without a license.

16 But what they're doing -- what their defense to that copy  
17 to American counsel would be, well, this was necessary and  
18 incidental to PTO practice, which we would dispute.

19 However, when you get to the copy that they're making for  
20 the foreign patent associate for the foreign patent  
21 proceeding, all the justifications concerning the Patent &  
22 Trademark Office rules and regulations go out the door.

23 THE COURT: Well, why do they? Presumably you have  
24 the same obligations to make an accurate and complete  
25 disclosure to a foreign patent authority as you do to an

10: 29: 18 1 American patent authority.

2 MR. DUNNEGAN: A, we don't know that; B, their  
3 justification is some perceived conflict between the copyright  
4 law and the patent law, which really is not a conflict at all,  
5 because you can solve the problem with a licensed copy, but  
6 there is no justification that would pull in the making of  
7 the -- the seeking of a commercial advantage in a foreign  
8 country as a basis or a justification to violate the United  
9 States Copyright Act.

10 I mean, merely because you need to do it doesn't give you  
11 an excuse to violate the United States law.

12 THE COURT: Well, it does if it's a fair use.

13 MR. DUNNEGAN: Exactly. That's the conclusion, your  
14 Honor. If it's a fair use.

10: 30: 07 15 But in order -- the mere fact that you need to do it  
16 doesn't make it a fair use.

17 THE COURT: No. But it is a factor in determining  
18 if it's a fair use. Your obligation to do it is in fact a  
19 factor for the Court to consider.

20 MR. DUNNEGAN: I would agree under United States  
21 law, but if we are looking at the law of some foreign country,  
22 I'm not sure I agree with you, because I don't think that was  
23 intended to be taken into consideration.

24 THE COURT: You just sort of wandered into this one.  
25 I mean, you didn't have any good faith basis for claiming a

10: 30: 38 1 violation with respect to this, because you didn't know  
2 anything about it.

3 MR. DUNNEGAN: I'm not disagreeing with you, but we  
4 had a good faith basis for believing generally that copies  
5 were made.

6 THE COURT: All right. Okay. Go ahead.

7 MR. DUNNEGAN: I mean, we couldn't tell you in  
8 advance exactly what copies were made. It's in a black box  
9 protected by privilege. We can't know.

10 But through this very limited discovery we did, as I -- I  
11 think you used the words, just blundered across this one, but  
12 this is evidence of infringement for which I do not think the  
13 defense of fair use should apply.

14 THE COURT: Okay.

10: 31: 16 15 MR. DUNNEGAN: Okay. Now, the next topic your Honor  
16 wanted me to address, I believe, was assume that the copies  
17 were made largely electronically, and that there were limited  
18 paper copies, how does that affect my case?

19 Well, an electronic copy --

20 THE COURT: Well, I started with what discovery  
21 would you possibly envision you could do to prove that there  
22 were more copies made than alleged, than the declaration  
23 requests, and that any of them were charged to the clients?

24 MR. DUNNEGAN: Okay. Let's take those one at a  
25 time.

10: 31: 52 1        We don't have any documents whatsoever showing the making  
2 of any of these copies. All we have is a limited -- we have a  
3 response to a limited interrogatory.

4        So at an absolute minimum I think we should be able to  
5 look at, you know, what were the actual documents that  
6 transmitted the copies? Do they show other transmissions?

7        Now, Mr. Kryder mentioned the issue of hard drives, and  
8 he said there were no copies -- I believe he said there were  
9 no copies made on anyone's hard drives.

10       I don't know that that's not true, but if it is true,  
11 that sounds extremely unusual to me as someone who has been  
12 practicing for a long time.

13       Copies are circulated by e-mail certainly, and they have  
14 got a lot of evidence of those. But in terms of their hard  
10: 32: 50 15 drives, no copies whatsoever on anyone's hard drive at all?

16       Very difficult. Very difficult for me to believe.

17       THE COURT: Well, okay. If I credit what you just  
18 said, very difficult to believe, you come here and I say,  
19 well, I -- certainly my job is to allay any concerns that you  
20 might have, so go off and go forth with discovery just because  
21 you don't believe it?

22       It's under oath. If Mr. Campbell is not telling the  
23 truth, he will have a lot more problems than trying to allay  
24 your concerns. I have got a declaration under oath that that  
25 didn't exist, and you have no good faith basis for coming in

10: 33: 33 1 here and telling me that it's not true except based on your  
2 experience as a lawyer you don't think so. It just doesn't  
3 cut it for me. Why should I let you pierce that just because?

4 MR. DUNNEGAN: Because -- well, one example is -- is  
5 that Mr. Campbell's declaration is upon information and  
6 belief.

7 I'm not saying that he did anything improper.

8 THE COURT: There is no way that a law firm could  
9 ever file an affidavit in a different way than this. He can't  
10 possibly, nor can anyone, know exactly what information is  
11 available in the firm without talking to anybody else.

12 You're making a hearsay objection to the verification at  
13 page 198, and that is a purposefully proper verification in  
14 the Court's view when an entity is involved. There is no way  
10: 34: 33 15 that any other kind of verification can be given than that.

16 It isn't possible to give one that is different than that.

17 MR. DUNNEGAN: Let me suggest, your Honor, that  
18 perhaps rather than say I surveyed the relevant attorneys and  
19 staff, he could have said, I questioned the following people,  
20 and an inspection of their hard drive was made.

21 It's the last line.

22 THE COURT: Well, this isn't an exercise in  
23 drafting. This is the Court analyzing whether the  
24 verification cuts the mustard and violates the hearsay rule,  
25 and my answers to those two questions are yes and no.

10: 35: 10 1 So that's -- that -- that's a dead issue for you. So I  
2 woul dn't waste anymore time on that.

3 MR. DUNNEGAN: Okay. Now, movi ng forward to the  
4 issue of how could we prove that there were profits made in  
5 connection wi th the copyi ng of these articl es?

6 Let me suggest there is two ways.

7 The first way we haven't di scussed very much. It's  
8 called the profit made by the intermediate use of the articl e.  
9 That's a term that was coined in the Texaco case.

10 What that is, is that when you make use of a copyri ghted  
11 articl e and your copy was unauthorized, but you're usi ng the  
12 articl e as part of your commercial efforts, in this case  
13 obtai ni ng presumably an hourly fee for your services, then you  
14 are deri vi ng a benefit from the unauthorized copy whi ch woul d  
15 not have existed but for the fact you had an unauthorized  
16 copy.

17 That's been recognized in Texaco as a valid basis for a  
18 copyri ght owner to assert that there was a commercial purpose  
19 under factor one of Secti on 107. That's present here on the  
20 facts that they have presented.

21 We don't have their billing records. It wasn't directed  
22 that they produce them. I'm not critici zing them for not  
23 produci ng them.

24 THE COURT: Well, I'm confused.

25 If the commercial purpose issue is the point, then why

10: 36: 44 1 are you not pursuing the making of the photocopy for  
2 submission to the PTO?

3           Because the commercial purpose exists at the time that  
4 the patent is prosecuted. I don't understand the principled  
5 analysis here that it's okay to make a copy for the PTO, but  
6 it's not okay to make a copy for the client, for example. I  
7 don't understand that. They're both commercial works.

8           MR. DUNNEGAN: I agree with your Honor, and I had  
9 the same difficulty when I was instructed to take this  
10 position.

11           I can make -- I can offer you two legal theories on which  
12 it does make sense.

13           The first would be if we're dealing with a copy that is  
14 actually submitted to the PTO. There is a rule and regulation  
10: 37: 42 15 of the PTO, Section 1.56, I believe, or 1.98, that requires  
16 the submission of material noncumulative art in support of the  
17 patent application if you know about it.

18           Now, the one copy that's going to the PTO arguably may  
19 meet -- may be required for that purpose. Even though an  
20 unlicensed copy is not necessary, you can do a licensed copy.

21           But that's one factor which could come into play under  
22 Section 107.1, which is the purpose of the use. So that makes  
23 the copy given to the PTO a little bit different than the copy  
24 sitting in the files.

25           The second legal reason would be in these cases the

10: 38: 25 1 remedy which is available to the plaintiff is going to be  
2 under Section 504(c) of the Copyright Act, which is statutory  
3 damages.

4 And for statutory damages, those are based upon the  
5 number of works that are infringed, and not the number of  
6 infringing copies.

7 So an argument could be made that we're going to be  
8 spending a lot of time fighting about this copy given to the  
9 PTO for which there is some colorable justification under 1.98  
10 of the PTO's rules, but it's not getting us anymore damages in  
11 the case.

12 The copy that they're making for their internal use,  
13 which was not required by the Patent Office rules and  
14 regulations, will result in the same remedy for the plaintiff,  
10: 39: 14 15 so why don't we just not do the work in connection with that  
16 initial copy?

17 THE COURT: Where is the line that you're drawing?  
18 You're not pursuing -- although I guess now you're  
19 telling me you're not conceding the propriety of the copy to  
20 the PTO. You're not pursuing, although you're not conceding  
21 the propriety of one internal copy?

22 MR. DUNNEGAN: One internal copy may --

23 THE COURT: So beyond that, if they make a copy and  
24 send it to the client, what they have submitted to the PTO,  
25 that's actionable, and you're counting that as a violation?

10: 39: 53

1 MR. DUNNEGAN: We would, your Honor. We would not  
2 consider that to be a fair use. We wouldn't consider that to  
3 be any different than the internal copy that they're making  
4 for the following reason.

5 The arguable societal benefit from the making of that  
6 copy that is arguably involved in the making of the copy going  
7 to the PTO doesn't exist for the client.

8 The benefit of sending it to the client is the lawyer's  
9 relationship with the client, and any obligation that exists  
10 under state, not federal law, to keep the client informed.

11 So there is -- there is really no public interest in  
12 submitting it to the client that would outweigh the value of  
13 compensating the plaintiff for the copy that went.

10: 40: 44

14 I mean, at bottom we're talking about do they have to buy  
15 a licensed copy, or do they get it from them for free?

16 It's not a question of can they be prevented from sending  
17 it to the client. Of course not. My clients want it sent to  
18 their client, they just want to be paid like everyone else in  
19 the patent prosecution process.

20 Okay. Now, turning to the issue of how do we prove that  
21 the copies that they made, that they have admittedly made,  
22 were the subject of compensation to the firm?

23 And I think that Mr. Kryder said that the way they do it,  
24 and probably most law firms do it, is you send out a bill at  
25 the end of a given period of time, probably a month, and it

10:41:27 1 says copies, \$500 -- and I'm making this up -- and then the  
2 question that we would want to learn the answer to is, is  
3 there anything unusual about those copies that were made by  
4 the law firm that they admittedly made that would suggest that  
5 they would not be part of the charges that the law firm is  
6 making in the ordinary course of events?

7 Now, I understand we may not be able to line up copies on  
8 a given day with copies in a bill going out, but if the  
9 ordinary practice of a law firm was to charge for all the  
10 copies -- charge the client for all the copies that it was in  
11 fact making in furtherance of the client's business, then it  
12 would seem that would give us a very reasonable argument to  
13 make to the trier of fact in this case.

14 THE COURT: Well, but that's not the -- the evidence  
10:42:24 15 is that that is not the case. That at least one of these  
16 clients had a fee arrangement that prohibited charging for  
17 copies, and that it's discretionary with the lawyer.

18 MR. DUNNEGAN: Well, it may be -- well, it's always  
19 discretionary with the lawyers, because the lawyers own the  
20 business.

21 THE COURT: Well, I never thought it was  
22 discretionary when I was a lawyer that I would make  
23 photocopies for free? I was -- I understood it to be my  
24 obligation to charge the client.

25 MR. DUNNEGAN: Yeah, I would think so too, but I

10: 42: 59 1 i magi ne there are instances where you just want to cut a  
2 client a break, and somebody has discretion to do that. That  
3 doesn't shock me.

4 But in the ordinary course of business it's going to be  
5 that the clients are charged for photocopies.

6 THE COURT: Well, I can't --

7 MR. DUNNEGAN: And I --

8 THE COURT: Just a minute. I don't think that is  
9 the case. Based upon the evidence before me it is not the  
10 ordinary course of business that clients are charged. It is  
11 discretionary with the billing attorney, and sometimes they  
12 are, and sometimes they're not. That's my understanding.

13 And --

14 MR. DUNNEGAN: But, one, we don't know the  
10: 43: 36 15 percentage. Is it a situation where they're not, 1 percent, 2  
16 percent, 60 percent? We just don't know.

17 The other issue that your Honor addressed was they had  
18 represented that with respect to one client their arrangement  
19 was that the client would not be charged for fees.

20 I believe -- my memory is that those were for the copies  
21 that were 9 through 13 on their list, which they didn't  
22 identify any copies for.

23 So for article 2, which is the Lee article, and article  
24 7, for which there were copies made, their deal was not with  
25 the client that the client would not be charged for

10: 44: 17 1 photocopies. The deal was that the client would be charged  
2 for the photocopies.

3 Can I tell you it's 100 percent certainty that the client  
4 was charged?

5 No.

6 THE COURT: Where are you getting the, "it was the  
7 deal that the client would be charged"?

8 MR. DUNNEGAN: That is in Mr. Kryder's papers at  
9 some point. I can't give you chapter and verse at this  
10 moment.

11 THE COURT: Well, Mr. Dunegan, you're going to have  
12 to do better than that, that, Judge, stop around somewhere,  
13 and Mr. Kryder has conceded this point, that's not going to  
14 do.

10: 44: 50 15 MR. DUNNEGAN: Okay.

16 THE COURT: I have got a declaration that says this  
17 is a matter of discretion with the billing attorney. That's  
18 the evidence before me.

19 Even if Mr. Kryder made the statement that you're talking  
20 about, that's not going to do it, but I can't rely on  
21 something as vague as what you just described to me.

22 MR. DUNNEGAN: Okay. But even if he's saying it's  
23 the discretion of the billing attorney, he's not giving us a  
24 proportion of the discretion.

25 The discretion may be 2 percent, it may be 3 percent of

10: 45: 22 1 the time it's not charged on.

2 Our point would be that the ordinary course of business,  
3 which is consistent with your Honor's personal understanding  
4 that you just communicated to us, is that the client is  
5 charged for the copies in the ordinary course.

6 THE COURT: Well, I never worked at Winstead.

7 Neither did you.

8 MR. DUNNEGAN: Well, that's correct. But at the  
9 same time do we have any reason to take on faith that Winstead  
10 is going to be different than the law firms that you and I  
11 have worked at, your Honor?

12 THE COURT: Well, my news is stale, so I'm not  
13 relying on anything about it, but -- I mean, I understand that  
14 you don't have -- you have the evidence that you have, and I  
15 have limited the discovery. I understand that.

16 But I have a verification that I, contrary to the  
17 argument, have concluded it's proper, telling me that the  
18 facts are that there is discretion.

19 If I had you sit down -- what's the range of dates on  
20 these, Mr. Kryder? Will you remind me when -- just give me a  
21 ballpark.

22 MR. KRYDER: It basically goes from approximately  
23 2010 through 2012.

24 THE COURT: I mean, if you sat down and deposed  
25 lawyers on did you make photocopy -- did you charge the client

10: 46: 44 1 for these three photocopies, it's impossible that anyone would  
2 be able to answer that.

3 MR. KRYDER: It was 2009. I'm sorry, your Honor.

4 MR. DUNNEGAN: I'm not sure, because the issue would  
5 be was there a write-off? There would be certain documents  
6 coming back from the reproduction department saying the  
7 charges for this client for this matter would be X, and if  
8 there was not a write-off by the billing attorney from that  
9 point, then it would seem to me the strong inference would be  
10 that the client was charged.

11 THE COURT: Well, I know you're hampered by my not  
12 letting you do discovery, but that's not my understanding if  
13 we're guessing about what was happening.

14 It's not a question of writing off, the question is not  
10: 47: 26 15 charging for them in the first place.

16 When -- again, I can't take judicial notice of this, and  
17 I'm not, but if I were as a lawyer photocopying something for  
18 client business, and not charging a client for it, I would  
19 have charged that to the firm in the first instance. It would  
20 never be written off. It would never be accounted to the  
21 client. We're guessing. That's -- I don't have any  
22 information about that.

23 MR. DUNNEGAN: Yes. And the only thing I would add  
24 is that this is their affirmative defense.

25 If they're trying to say that they didn't make a profit,

10: 48: 03 1 then the burden is on them.

2 THE COURT: Well, this issue is not about making --  
3 this particular question is not about making a profit. It's  
4 about whether they charged the client at all for this.

5 MR. DUNNEGAN: I agree with that, and that's a  
6 subset of the profit analysis.

7 THE COURT: All right.

8 MR. DUNNEGAN: Now, your Honor, I believe I have  
9 addressed the concerns that you raised at the beginning. If  
10 there is anything else, I would want to address it.

11 THE COURT: No. Go ahead.

12 MR. DUNNEGAN: Okay.

13 All right. Now, the -- one point I wanted to make --  
14 probably remake -- is that their fair use defense is based  
10: 49: 09 15 upon the benefit of submitting these articles and making  
16 copies of them beforehand and after hand to the PTO.

17 That does not create an inconsistency between the  
18 copyright law and the patent law, because the solution is  
19 obtain a licensed copy of the copyright work, and compensate  
20 the copyright owner for what you are using, just as you're  
21 compensating all the other people who are involved in the  
22 patent application process.

23 Okay. Now, going back to the issue -- I'll try to be as  
24 fast as I can.

25 THE COURT: No. I'm looking because I'm thinking

10: 49: 59 1 about taking a five-minute break here.

2 MR. DUNNEGAN: Going to the issue of Twombly-Iqbal,  
3 it seems to me that the standard is, does the affirmative  
4 defense appear plainly on the face of the complaint?

5 I don't think it does.

6 Second issue.

7 THE COURT: Well, let me just say to you that the  
8 strong likelihood is that I'm going to convert this to a  
9 summary judgment, so you should be thinking about that.

10 MR. DUNNEGAN: Okay.

11 THE COURT: Implicit in that is my need to determine  
12 whether what you have requested by way of discovery is  
13 appropriate or a fishing expedition.

14 MR. DUNNEGAN: Okay. For what it's worth, the  
15 essential discovery that we are requesting in this case is the  
16 same discovery which was completed in the Minnesota case, and  
17 will be completed in the Illinois case by July 15th.

18 This case isn't going to be any different in terms of the  
19 discovery we seek in general form than those cases.

20 Now, should you convert it to summary judgment?

21 Here's the question that I see, and that is, this is  
22 going to be so fact specific in certain instances with respect  
23 to certain copies that does it pay to say, okay, plaintiff,  
24 you can go off and take your discovery A, B, C, but not D, E  
25 and F, because that might not be relevant to the precise

10: 51: 33 1 motion you're making right now.

2 I don't think in terms of judicial economy that that's  
3 going to make very much sense.

4 It seems to me the proper thing to do would be to proceed  
5 in the ordinary course, have discovery, and then have a  
6 summary judgment motion. That's what's happened in the other  
7 two cases.

8 Now, if the Court were to -- I mean, now, should I  
9 address the issue of whether there is a question of fact on  
10 this record right now, or would the Court rather not?

11 THE COURT: Sure.

12 MR. DUNNEGAN: Okay. Now, there are four factors  
13 that the Court should consider on the fair use analysis.

14 The first is the nature and purpose of the copy.

10: 52: 20 15 Now, the copies that we're dealing with in this case were  
16 not copies that were submitted to the Patent & Trademark  
17 Office unless they were not required to be submitted to the  
18 Patent & Trademark Office by its own rules.

19 So any societal benefit to the functioning of the Patent  
20 Office is not going to come into play with respect to the  
21 arguments -- with respect to the articles that we're talking  
22 about in this case.

23 The other two important fair use considerations on the  
24 first factor are the commercial nature, and the transformative  
25 nature.

10: 52: 55

1 Let me start with the commercial nature.

2 The commercial nature here exists in two forms.

3 One would be, are they making money by charging for  
4 photocopies?

5 And two, are they making money by charging hourly fees  
6 for reading articles which they did not have authorized copies  
7 of us -- authorized copies of? That's the intermediate  
8 commercial use that Texaco identified.

9 So it would seem to me that if you take away the benefit  
10 or the obligation to comply with the PTO regulations, which  
11 doesn't exist for these copies, and you weigh the commercial  
12 use and the non-transformative use, you come to the conclusion  
13 that factor one would favor a finding of infringement.

14 THE COURT: Well, how can they be required to submit  
15 relevant prior art to the PTO without reading it?

16 In your other case you are apparently complaining that  
17 they did just that. Presumably they can't be in good faith in  
18 submitting prior art that they didn't read. So if you're not  
19 claiming that the submission to the PTO is a violation, how  
20 can it be improper for them to read the article that they are  
21 submitting?

22 MR. DUNNEGAN: Because they could go to aip.com, or  
23 wiley.com (sic), and pay for a licensed copy of the article  
24 which they read, that would be entirely profit --

25 THE COURT: It's just -- this is completely

10: 54: 28 1 inconsistent, Mr. Dunnegan. I don't understand the point.

2 If you're not complaining about submission of the  
3 articles to the PTO, you can't possibly complain that there is  
4 a commercial purpose that renders the fair use defense  
5 improper because the lawyers read it.

6 They have to read it. It's impossible for them to be  
7 able to submit something to the PTO that they didn't read. So  
8 if they didn't submit it to the PTO without infringing on your  
9 client's copyright, then they can read what they submitted to  
10 the PTO.

11 MR. DUNNEGAN: In order to engage in the analysis  
12 your Honor just did, I think you have to make a distinction  
13 between a copy which was authorized, and a copy which was not  
14 authorized.

10: 55: 10 15 Let's start with the authorized copy.

16 If the attorney is told that article by Lee entitled  
17 something else is relevant prior art, then the proper thing to  
18 do is for the attorney to obtain an authorized copy of the  
19 article from the publisher or a document delivery service, pay  
20 about \$30 to get a licensed first copy, read that.

21 If the lawyer then determines that it's appropriate to  
22 submit to the Patent & Trademark Office, then we're not  
23 complaining about the next copy that was given to the Patent &  
24 Trademark Office either electronically or on paper.

25 Nor are we complaining about the additional copy from

10: 55: 52 1 that, which there wasn't a license for, that they put in their  
2 file to memorialize that.

3       What we are complaining about is a situation where they  
4 never had a licensed first copy to begin with. Either they  
5 took it off the Internet, or they got it from a client who  
6 didn't have authority to give it to them, or another patent  
7 practitioner who didn't have authority to give it to them.  
8 Then they make a copy, and they read the unauthorized copy.

9       That's intermediate use of an authorized copy, which  
10 should not be fair -- which should not be considered as fair  
11 use, because it's commercial under the Texaco case assuming  
12 all the other factors are as in the Texaco case.

13           THE COURT: Let's take a five-minute recess here,  
14 and then pick up where you want to.

11: 05: 05 15 (Brief recess.)

16 (Judge enters courtroom.)

17           MR. DUNNEGAN: I'm sorry.

18           THE COURT: You're not late. Our clocks are all  
19 messed up. Just pick up where you were.

20           MR. DUNNEGAN: Before I -- I would like to go back  
21 to something I couldn't provide earlier, and that was the  
22 number of articles for which they had the agreement that the  
23 client was not charged.

24           I'm looking at their opening brief on this motion,  
25 document 56 at page 12 of 16, which repeats their

11:05:34 1 interrogatory answers. And in the middle of the page it just  
2 says, "Winstead's engagement with the clients on those patent  
3 applications and prosecutions included articles 9 through 13  
4 on Exhibit A, which expressly provided that the client would  
5 not be charged for the photocopies."

6 So by negative inference it appears that for the clients  
7 identified on articles 1 through 8 there was an agreement that  
8 the client would be charged for the photocopies.

9 THE COURT: Absolutely not. Completely inconsistent  
10 with the declaration. 9 through 13 would not be, 1 through 8,  
11 billing discretion.

12 MR. DUNNEGAN: Exactly. Exactly. But -- I'm sorry.  
13 The point I was trying to make is that the agreement with the  
14 client is that for 1 through 8 the client would be charged  
15 under the agreement with the client. If the attorney for some  
16 reason decided to give the client a break, well, the client  
17 got a break. But in the ordinary course of business law firms  
18 will occasionally give clients a break, but not all the time.

19 THE COURT: All right.

20 MR. DUNNEGAN: Now, I believe we were starting to  
21 talk about transformative use.

22 Transformative use generally means that you're doing  
23 something different to the work. Like in the Campbell case,  
24 they were taking the Roy Orbison song and turning it into a  
25 song about a streetwalker. That's transformative.

11:06:57 1

1       In this case they're just making a photocopy, as in the  
2 Texaco case, as in the Princeton case. In both of those cases  
3 the Second Circuit and the Sixth Circuit en banc said that the  
4 making of the identical copy was not transformative.

5       In fact, in the Sixth Circuit case, Princeton, the copies  
6 were being cut up and put into horse books so that there would  
7 be a number of articles or works assembled into the same  
8 document.

9       That still didn't make it transformative, because they  
10 weren't doing anything with respect to the particular article.

11       Now, transformative could also mean it's put to a  
12 different use.

13       For example, the leading case on this is a Fourth Circuit  
14 case involving the Turnitin Software whereas you make a copy  
15 of an article to figure out whether or not it has been  
16 plagiarized. That's not really using the article for its  
17 content.

18       There are additional cases. The Perfect 10 case, the  
19 Bill Graham case in the Second Circuit deal with making the  
20 reproduction of the work so small that it really doesn't have  
21 the commercial appeal of the initial work.

22       That's not what's happening here. The best they can say  
23 is that, well, this -- these articles are used not to allow us  
24 to learn the subject matter, but to have evidence of what the  
25 state-of-the-art was.

11:08:29 1

Well, at best for them that's just a subset of the purpose for which these articles were originally written.

These articles were written, and there is evidence in our initial documents from the declarations of Susan Braley and Christopher McKenzie that these articles are published to inform people of the state-of-the-art.

The state-of-the-art consists of what experiments were done, what was known from those experiments, and that's what the patent lawyers may primarily be interested in, but it's going to be the same purpose -- it's going to be a subset of the same purpose for which the article was originally published by my clients.

So for that reason they're using the content for a subset of the purposes. I don't think that comes close to what was intended in Campbell to be transformative use.

11:09:19 15 Now, that's factor one.

If we couple the non-transformative use with the commercial element, the profit at least through reading the unauthorized copies, and then the lack of a public interest by the lack of a need to file that particular copy with the PTO, it seems factor use is going to favor a finding of no fair use.

THE COURT: All right. One more -- I'm going to take one more shot at this.

MR. DUNNEGAN: Okay.

11:09:51 1 THE COURT: Someone is giving you marching orders  
2 about what copies to pursue in this litigation, but you're  
3 taking the position that if all we had here was a copy, not  
4 licensed, not paid for, furnished to the Patent & Trademark  
5 Office with a patent application, never copied by anybody  
6 else, never sent to the client, that that copying is or is not  
7 fair use?

8 MR. DUNNEGAN: It's not part of the amended  
9 complaint. If the copy -- the hypothetical, as I understood  
10 it that you just gave, no one made a copy. It was just a copy  
11 appeared, and it was given to the Patent Office.

12 Now, in that case, there is no prima facie case.

13 THE COURT: No. I'm asking you to assume a copy was  
14 made.

11:10:42 15 MR. DUNNEGAN: Okay. So the law firm makes one copy  
16 without any authorization, gives that copy to the Patent  
17 Office, and in the process makes another copy --

18 THE COURT: No. Take the hypothetical that I'm  
19 giving you.

20 I'm pressing you on this because I don't -- I still don't  
21 understand the principal distinction you're making between the  
22 various sets of copying.

23 The copy furnished to the PTO, that's it. Assume no  
24 other copies. One copy made, sent to the PTO with the notice,  
25 attached to the notice, no other copies made, didn't pay your

11:11:23 1 client, didn't have a license, made a copy, sent it on as  
2 prior art.

3 Actionable or not?

4 MR. DUNNEGAN: We're not pursuing it.

5 THE COURT: I don't care whether you're pursuing it.  
6 I want to understand the argument.

7 Is that fair use, or you don't know, you're just going to  
8 punt?

9 MR. DUNNEGAN: One way it would not be fair use, or  
10 if it was -- if we're dealing hypotheticals, if it was an  
11 article about concrete, and the patent was about brain  
12 surgery.

13 THE COURT: Okay.

14 MR. DUNNEGAN: Put that aside.

11:11:55 15 If it was reasonably required to be filed, I couldn't  
16 give you any more than my personal opinion. Our client is not  
17 taking a position on that.

18 THE COURT: Well, if it's not actionable, it must be  
19 transformative, because if it's not transformative, how is it  
20 not actionable?

21 MR. DUNNEGAN: Because of the justification -- not  
22 transformative, but the societal benefit of complying with the  
23 PTO regulation with respect to that one copy.

24 THE COURT: Where does that societal benefit  
25 analysis come in? What factor in the fair use analysis is

11:12:33 1 that?

2 MR. DUNNEGAN: It would be factor one, the nature or  
3 purpose of the use, I imagine.

4 THE COURT: As I read the case law, the nature and  
5 purpose of the use, and the analysis of whether or not it is  
6 transformative is one and the same.

7 MR. DUNNEGAN: Yes. The way I understand the case  
8 law is -- in your Texaco case or your Princeton case, the  
9 first inquiry is, is it commercial?

10 Your second inquiry is going to be is it transformative?

11 And in this case we have another boomerang, which is the  
12 PTO regulation requiring material prior art to be submitted,  
13 although not unlicensed material prior art.

14 Okay. But that's where I would fit it in.

11:13:14 15 The other way theoretically to fit it in is that these  
16 four factors do not have to be exclusive, you know. You can  
17 look at the totality of the facts and circumstances. So even  
18 if I'm wrong about whether or not it fits into fair use number  
19 one -- excuse me -- factor number one, you know, we're not  
20 telling that -- we're not saying that it should be ignored.

21 THE COURT: Okay.

22 MR. DUNNEGAN: Now, moving on to --

23 THE COURT: One more question, because I have  
24 interrupted you.

25 MR. DUNNEGAN: Sure.

11:13:48 1 THE COURT: On the foreign patent prosecution, I  
2 don't remember, I'm sure I have it here, maybe I don't, was it  
3 divulged in the answers what foreign authority?

4 MR. DUNNEGAN: No.

5 THE COURT: Mr. Kryder, I have -- I don't want you  
6 to answer this now, but when you come back on rebuttal I want  
7 you to.

8 I know nothing, so I'm really speculating about, you  
9 know, if this is in Germany, I have no idea what is required.  
10 I don't know anything about whether prior art is required to  
11 be submitted.

12 I mean, we're looking at -- you're making this argument  
13 about the quasi-judicial authority, I know nothing about it.

14 So it's a little bit troublesome to go through the  
15 analysis of the four factors with respect to the foreign  
16 prosecution because I don't have any of the facts about it.

17 With respect to the PTO, I believe I can take judicial  
18 notice of what the PTO does. I think I can take judicial  
19 notice about it. I also have got evidence about that.

20 But with respect to the foreign authority I don't know  
21 who the authority is, nor do I know what the authority  
22 requires.

23 Just a minute.

24 (Off the record.)

25 THE COURT: All right. Thank you.

11: 15: 04

1 MR. DUNNEGAN: Your Honor, just to follow up on  
2 that, it's not disclosed in the answers to the interrogatories  
3 that they gave us.

4 THE COURT: Okay.

5 MR. DUNNEGAN: Now, factor number two -- well,  
6 before I leave factor number one, factor one has to be  
7 analyzed for each of the copies that they made.

8 The foreign copy -- the copy to the foreign patent  
9 associate has a different factor one analysis than the copy  
10 that was made to put on their document management system, if  
11 that was going to in fact be the archival copy, or duplicate  
12 archival copy.

13 Going on to factor number two, which is the nature of the  
14 copyrighted work, in this case we're dealing with scientific  
11: 16: 13 15 articles. There is no dispute that there is enough creativity  
16 in them in order to meet the copyright standards.

17 The issue is how does a scientific article play in with  
18 the work of fiction along this line, and I would suggest that  
19 if we look at article one --

20 THE COURT: Let me stop you on that.

21 I'm not buying that argument by the opposition that the  
22 scientific article is not like a poem. I mean, it's an  
23 original creative work. The fact that it is hard science  
24 doesn't mean it's not, so I think it is such a copyright. I  
25 don't think it gets a lighter touch because of it. So you win

11:16:50 1 that.

2 MR. DUNNEGAN: Okay. Thank you, your Honor.

3 Let me -- let me just clarify to make sure that we are  
4 not confused between us.

5 I don't think that they have argued that it's not subject  
6 to copyright. I think they are just saying on the scale of  
7 factor two --

8 THE COURT: Yes, they are, and I don't agree with  
9 that.

10 MR. DUNNEGAN: Thank you, your Honor.

11 Now, with respect to factor -- with respect to factor  
12 three, that's the extent to which they are copying the  
13 copyrighted article. And for all the copies that we're doing  
14 here, from what I can tell based upon the limited disclosure  
11:17:25 15 that they have made, these articles are being copied in their  
16 entirety.

17 THE COURT: Yes, you may assume that for the purpose  
18 of this hearing. I'm assuming that.

19 MR. DUNNEGAN: Okay. So factor three -- factor  
20 three probably favors the plaintiff, and at best cannot favor  
21 fairness.

22 So moving on to factor four, which is the effect of the  
23 use on the plaintiffs' business on the market value on the  
24 loss of revenue.

25 In that respect what we're claiming is that for the

11:17:59 1 copies they made, revenue was lost by the plaintiff. That is  
2 arguably the most important fair use factor.

3 THE COURT: Go ahead. I'm looking for something on  
4 this case.

5 MR. DUNNEGAN: Okay. Now, in this case when they  
6 obtained an unauthorized copy as their first copy, they could  
7 have gone to aip.org or wiley.com and obtained in a few  
8 minutes for about 30 bucks an original first copy of the  
9 article that they were dealing with.

10 Now, that deprived the publisher directly of revenue if  
11 they did it that way, or they could have gone to a document  
12 delivery service and obtained a copy, which the document  
13 delivery service would pay the copyright fee on.

14 Again, we're talking about minimal resources in order to  
15 obtain these first licensed copies.

16 Now, once they have their first licensed copies, they  
17 have a couple of options available to them to make other  
18 licensed copies.

19 Now, the most typical is for a law firm to buy what's  
20 called an annual copyright license from the Copyright  
21 Clearance Center. What that does is for about 300 -- about  
22 300 bucks per lawyer, per professional, per firm, someone --  
23 anyone in the organization has the right to make an unlimited  
24 number of internal copies as that's defined in the agreement.

25 THE COURT: Let me stop you for a minute, because I

11:19:42 1 may be operating under an assumption that's not correct.

2 Are these articles subject to obtaining for purposes of  
3 reading them without making copies? Can I access these  
4 without paying a dime to read them?

5 MR. DUNNEGAN: Can you access them without paying a  
6 dime?

7 No.

8 THE COURT: So they're not in the -- they're not  
9 available in a library?

10 MR. DUNNEGAN: Oh, I'm sorry. Yes. Yes. But over  
11 the Internet -- I mean, if someone is an alumnus of the  
12 University of Texas, or whatever library, and you had a card  
13 to go in, someone can go read these off the shelf.

14 THE COURT: So it isn't the reading of them. It is  
15 the copying of them?

16 MR. DUNNEGAN: Under -- it is the copying under  
17 106.1, which is prohibited.

18 When you get to the analysis of the fair use analysis  
19 under 107, is it commercial, is it noncommercial, how much  
20 benefit did they get out of it, then it's appropriate for the  
21 Court to consider how much money they made reading the  
22 unauthorized copy. That's the Texaco case.

23 THE COURT: Okay.

24 MR. DUNNEGAN: Now, factor -- I was starting to talk  
25 about the Copyright Clearance Center, and what an annual

11:21:06 11:21:06 1 license from the Copyright Clearance Center for about 300  
12 bucks per professional at the firm allows you to do is to make  
13 an unlimited number of internal copies for your own use.

14 If the Winstead firm had a -- had a CCC license, it's a  
15 virtual certainty that this case would not have arisen.

16 So at the end a good portion of the fair use analysis is  
17 going to boil down to the question should Winstead be required  
18 to pay for the copies that it makes, or should the publishers  
19 subsidize Winstead's patent prosecution --

10 THE COURT: You really don't want to pronounce their  
11 name correctly?

12 MR. DUNNEGAN: I'm terrible. I really am.

13 THE COURT: Winstead.

14 MR. DUNNEGAN: Winstead. I really practiced that  
15 before today's argument.

16 THE COURT: You could have fooled me.

17 MR. DUNNEGAN: I very well --

18 THE COURT: I took you to school last time, and it  
19 didn't take.

20 MR. DUNNEGAN: You did. And some people never  
21 learn, and I'm one of them, I guess.

22 But anyway, going back to factor four, does the plaintiff  
23 have to subsidize the defendants' patent prosecution practice?

24 It seems to me important to realize that no one else  
25 subsidizes that practice.

11: 22: 22 1        If Winstead needs the paper to make a copy from, it has  
2 to go to Staples or some other store and buy the paper.  
3        If it needs a computer on which to word process the  
4 application, it has to go to Dell, or some other computer  
5 company, to buy the computer.  
6        It can't say I'm using this in connection with patent  
7 prosecution practice, I'll take it for free, thank you.  
8        We don't think that the publisher should be treated any  
9 differently simply because the property they own is  
10 intellectual property.  
11       So that's where I would come out on the fair use analysis  
12 if it was left up to me, and at the end of that what we're  
13 left with is these four factors, some of which may go one way,  
14 some of which defendants argue go the other way, but there is  
11: 23: 06 15 a balancing at the end of them considering all the facts and  
16 circumstances in the case.  
17       That's true even if the Court adopts the PTO standard of  
18 necessary and incidental, because they admit the necessary and  
19 incidental inquiry is just, well, under all the facts of the  
20 case, is it necessary and incidental?  
21       That inquiry where factors are pointing in different  
22 directions is generally done by the trier of fact as a mixed  
23 question of law and fact.  
24       It is conceivable, like the Brownmark case that  
25 Mr. Kryder mentioned in his papers, could go as nonfair use as

11:23:52 1 a matter of law.

2 It's also just as likely that, for example, in the  
3 Minnesota case we're arguing that the copies that were made  
4 for foreign patent prosecution cannot be fair use as a matter  
5 of law -- cannot be fair use as a matter of law. Those are  
6 infringements as a matter of law.

7 And on the extremes you can generally -- it's possible  
8 for it to have a question on which no reasonable person can  
9 disagree, but in the middle where you are having facts which  
10 are moving one way or the other, and are subject to dispute  
11 among the evidentiary facts, then it's generally -- generally  
12 going to be a question for the trier of fact or a jury for  
13 determination.

14 Fair use is generally not well suited for summary  
11:24:41 15 judgment except in the very, very rare cases.

16 Judge Posner said that in the Beanie Babies case.

17 Now, I think we have -- that's why I think that on the  
18 record right now there is at an absolute minimum a question of  
19 fact with respect to everything except the foreign copies.

20 THE COURT: All right. Mr. Dunnegan, I want to make  
21 sure that -- I want to exclude the foreign copies issue from  
22 this question.

23 Apart from that, to the extent I have allowed you this  
24 limited discovery, you're putting forward what you claim  
25 establishes a fact question from the discovery that you have

11: 25: 29 1 obtained so far. And you have set out in your declaration  
2 filed March 14th what additional discovery you would conduct  
3 if I treat this as a summary judgment, and gave you the  
4 opportunity to conduct additional discovery.

5 Yes?

6 MR. DUNNEGAN: Yes.

7 THE COURT: Okay. Very good. Thank you.

8 Mr. Kryder.

9 MR. KRYDER: Your Honor, I heard counsel say about  
10 his positions on the extremes. That's exactly what they are,  
11 positions are extreme, and discovery isn't going to make them  
12 less so.

13 The Court at the last hearing said that the discovery  
14 that they were asking for is the original definition of a  
11: 26: 17 15 fishing expedition. It's exactly what they are seeking.

16 You can tell, your Honor, from the sworn interrogatory  
17 answer of Mr. Campbell on behalf of Winstead that all of the  
18 copies -- well, first of all, there are only three  
19 photocopies. So there is no need for discovery. There is no  
20 evidence that anyone charged it -- there will be no evidence  
21 that any client was charged for it, and at most you're talking  
22 about a few dollars for three articles.

23 The Court mused whether law firm billing practices maybe  
24 were a little bit dated. These days a lot of clients, your  
25 Honor, insist that we not charge for long distance telephone

11:27:02 1 calls, for faxes, for copies, and many of them insist on caps  
2 on copies. It's the way law practice is today.

3 But the fact is, as set forth in our -- in the appendix,  
4 pages 195 through 196, they don't need discovery concerning  
5 Winstead's per-page cost, because we already know no client  
6 was charged for it. There will be no such -- no discovery  
7 would prove anything else.

8 They say they need discovery about who worked on the  
9 applications in discovery concerning their hard drives.

10 Again, your Honor, the sworn interrogatory answer at  
11 supplemental appendix 133 and 194 shows that lawyers did not  
12 maintain copies of these articles on their respective computer  
13 hard drives, or in locations other than client files.

14 While Mr. Dunnegan may find that hard to believe at his  
15 law firm, or in other hypothetical law firms that he knows  
16 about, there are many law firms, including Winstead, which  
17 lock down the ability of lawyers and staff to be able to save  
18 anything on their hard drives. Discovery will not show  
19 anything differently.

20 One of the things that Mr. Dunnegan said a few minutes  
21 ago was that with respect to discovery, quote -- this was  
22 about 10:32 a.m. if you look at the recording -- "We cannot  
23 know, because it's in a black box protected by privilege."

24 That's what they're looking for. They want to take the  
25 deposition of somebody at Winstead. They say they seek

11: 28: 41 1 di scovery concerning Winstead made an indirect profit.

2 "Discovery concerning these issues would begin with  
3 Winstead's internal billing records, and continue with the  
4 deposition of the personnel who billed that time, and would  
5 continue with Winstead's invoices to its clients for  
6 disbursements in connection with those applications."

7 Their position is you can submit an article to the PTO  
8 and it's fair use apparently.

9 THE COURT: Maybe?

10 MR. KRYDER: Maybe yes and maybe not.

11 THE COURT: Mr. Dunnegan is dancing around that  
12 question.

13 MR. KRYDER: So maybe it is --

14 THE COURT: Wait. Wait.

11: 29: 17 15 He's dancing around that question, which I have asked him  
16 repeatedly, because in his heart he thinks there is no  
17 distinction, but his client is making him argue otherwise.

18 So he's not conceding that that's a fair use, in his gut  
19 he thinks it's not, but he doesn't want to answer because he's  
20 not arguing about it here.

21 MR. KRYDER: Right.

22 THE COURT: You don't have to respond, Mr. Dunnegan.  
23 I'm reading your mind here from on high.

24 MR. KRYDER: On the other hand, if it -- if he might  
25 not be contesting here the article that goes to the PTO has to

11:29:53 1 have been read, reviewed and analyzed by any number of lawyers  
2 who were -- or staff who are working on the engagement to  
3 decide whether it must be disclosed, the client also needs  
4 to -- the inventor, who is on the application, also needs to  
5 review that document.

6 Their position is that you can't send a copy to the  
7 client even though the client, who is the inventor, may have  
8 his own duty to disclose obligations to the PTO.

9 His position is you can't provide a copy to anyone else  
10 in the firm even if they are prosecuting the patent. You  
11 can't bill for reading the article to decide whether it must  
12 be submitted.

13 If you have a legal duty to submit it to the PTO and to  
14 analyze it and to be able to respond when the PTO has office  
11:30:47 15 actions, you certainly have to be able to do that.

16 This profit by intermediate use based on the Texaco case,  
17 this is not the Texaco case. In that case they didn't have  
18 discovery to say whether every one of these -- how much money  
19 each of these scientists made by the hour. The difference  
20 between Texaco and here, it wasn't a quasi-judicial proceeding  
21 where the lawyers had a duty to submit these articles as  
22 evidence of prior art.

23 No amount of discovery is going to change the undisputed  
24 fact, your Honor, that instead didn't charge for digital  
25 copies. The e-mails that were distributed were to team

11:31:31 1 members, with the exception of the foreign co-counsel.

2 The Court asked about that. That's in our interrogatory  
3 appendix, supplemental appendix at page 201.

4 The Court asked, and I do not recall, and I don't have  
5 the document here, what specific country or countries --

6 THE COURT: Well, I just don't have anything to  
7 reference.

8 MR. KRYDER: So I don't know -- or -- or what  
9 authority was being prosecuted.

10 My understanding, however, is that most foreign Patent  
11 Offices have similar duties to disclose prior art that you do  
12 in the United States. And indeed --

13 THE COURT: I can't take judicial notice of that,  
14 Mr. Kryder. I don't even know what country you're talking  
15 about.

16 MR. KRYDER: Well, in almost any country the --  
17 where lawyers are prosecuting patents, I think the Court could  
18 take judicial notice, but perhaps won't, that the obligations  
19 are the same.

20 THE COURT: Well, I won't. I mean, it has -- you  
21 have to give me something.

22 MR. KRYDER: Sure.

23 In any event -- in any event, providing a -- one e-mail  
24 to two foreign co-counsel prosecuting a related foreign  
25 counterpart application on article number two can't be any

11:32:48 1 different than the PTO. The obligation is -- we would submit  
2 is the same, if that's really what the only hang-up is.

3 I would emphasize, your Honor, that there are only three  
4 paper copies that were involved that are in the hard copy  
5 files. No amount of discovery is going to change the fact  
6 that there is no indication that anyone was charged.

7 About this 18 cents a copy, it ranges all over Dallas in  
8 terms of what the copy costs are.

9 THE COURT: I'm not going to go there, Mr. Kryder.

10 MR. KRYDER: Okay. The final thing here is that you  
11 can go get this article and read it at the library. Lawyers  
12 can be billing for that. You can get a copy at the PTO. You  
13 can go buy a copy there. You don't have to pay the publisher  
14 for that.

11:33:40 15 The distinction is that because when it's submitted to  
16 the PTO, or it's on the continuum going to the PTO, it's fair  
17 use and it's transformative. That's the only way that they  
18 can agree, or at least in this case, not contend that there is  
19 a lack of fair use by submitting it to the PTO.

20 The final thing, your Honor, here is, this is not copy  
21 paper that Winstead is buying at Staples. It's a document  
22 that both Winstead and its client had a legal duty to find, to  
23 read, to analyze, and to submit to the PTO. And the fact that  
24 multiple people are reading it and reviewing it pursuant to  
25 the practice of law doesn't change its fair use character.

11: 34: 24 1 Unless the Court has any further issues, we would  
2 respectfully urge the Court to grant our motion.

3 Alternatively, to convert it to a Rule 56 motion.

4 We don't think there is any need for discovery. If the  
5 Court were inclined to allow any, we would urge that it be  
6 extremely narrowly contoured, because the only issue they have  
7 pled in the amended complaint is Winstead making a profit on  
8 photocopies, and there will be no discovery that shows  
9 anything to the contrary.

10 Thank you, your Honor.

11 THE COURT: All right. Thank you.

12 All right. I appreciate the fine argument.

13 Did you have anything else you wanted to add?

14 MR. CASAGRANDE: Just one narrow point, your Honor.

11: 35: 09 15 I understood Mr. Dunnegan to say that on the second  
16 factor, the nature of the copyrighted work, he thought it was  
17 enough that there was a significant amount of creative  
18 expression in this factual work, and for that reason, he  
19 thought that favored him in the fair use analysis.

20 I would just simply point out to the Court that that  
21 formulation of the second factor is broader than what the  
22 Fifth Circuit has recognized in the Compaq versus Ergonomics  
23 case, which we cited in our initial moving papers, which said  
24 that it's not simply whether it's got a significant amount of  
25 creative impression, it really is a test between fantasy and

11: 35: 48 1 fiction on the one hand, and something that's factual in  
2 nature on the other, because otherwise copyrightability would  
3 swallow the fair use defense.

4 Thank you, your Honor.

5 THE COURT: Well, I appreciate the point you're  
6 making. I may have stated my point a little more broadly.

7 It's not that it isn't subjected to protection,  
8 obviously, because it is, it's creative impression, but  
9 because it has a use in and of itself, that a work of fiction  
10 is not, it has to be treated somewhat differently. I think  
11 that's the point you were making.

12 MR. CASAGRANDE: Yes.

13 THE COURT: A poem, for example, is -- it's value is  
14 as a creative expression only, not to allow one to calculate  
11: 36: 38 15 how many widgets would fit into a cube, and this has a  
16 creative purpose, and which would allow it to be used for a  
17 transformative purpose, among other things.

18 I know that's a different factor, but it allows it to  
19 have other uses beyond its mere creativity.

20 MR. CASAGRANDE: Are you talking about the  
21 scientific article?

22 THE COURT: Yes.

23 MR. CASAGRANDE: I suppose that it could, but in  
24 this instance it's clearly being limited to --

25 THE COURT: Yes, I understand. A purpose beyond a

11: 37: 09 1 mere expressi on.

2 MR. CASAGRANDE: Yes. Thank you, your Honor.

3 THE COURT: I understood that, and I understand that  
4 point. It isn't necessary for me to determine where it fits  
5 on the scale, except to say it is a creative work of  
6 expressi on.

7 That was the point that I was maki ng in agreei ng wi th  
8 counsel for the plaintiff, but it does as well as express  
9 itsel f creati vely, it also has purposes beyond the mere  
10 creative expressi on.

11 MR. CASAGRANDE: Yes, your Honor.

12 THE COURT: All right. I appreciate the fine  
13 argument, and I regret -- and I think I am responsi ble for --  
14 by my comments -- suggesting that I think this thing could be  
11: 37: 52 15 resol ved on motion to dismiss. I think it can't be, because  
16 inevi tabl y what actually transpired here is being argued by  
17 the party.

18 So I am converting this to a Rule 56 motion.

19 I'm converting both the 12(b)(6) that was filed by  
20 Wi nstead, and the 12(c) motion that was filed by the PTO.

21 That requi res the Court to address whether it is  
22 reasonable for me to proceed on the current record, or whether  
23 I should allow addi tional di scovery for the plaintiff.

24 I have reviewed the appendix B, Mr. Dunnegan's  
25 declarati on descri bi ng what addi tional di scovery is requi red.

11: 38: 39

1           The Court is of the view that the discovery that is  
2 described here is neither reasonable nor necessary nor  
3 appropriate, and is in effect a fishing expedition of the same  
4 characterization that I gave to it earlier.

5           I am satisfied that the state of the record allows the  
6 Court to go forward on the summary judgment with the exception  
7 of the foreign -- the copies for foreign attorneys. I don't  
8 know enough about that to rule on that. I don't have enough  
9 evidence in the record.

10           Mr. Dunnegan, I'm going to rule against you on fair use  
11 on everything but that. I will write an opinion that explains  
12 my analysis of the four factors. So I am allowing you to  
13 conduct discovery with respect to the copies for foreign  
14 lawyers, but let's be realistic here about the time, effort  
15 and energy associated with that.

16           In the Court's view that is a sideshow here that you  
17 happened upon in connection with the discovery here.

18           I'm going to direct the parties to confer about what they  
19 might do to develop the record factually so all of these  
20 issues can go up on appeal together, rather than have a lot of  
21 discovery that is a sideshow on the foreign communication.

22           If Mr. Kryder is able to convince me that with respect to  
23 the particular patent authority that the nature of the  
24 requirement in terms of submitting prior art is similar to  
25 what is required by the PTO, it is very likely that the Court

11:40:37 1 will conclude that providing copies to lawyers assisting in  
2 the prosecution of related patents under a jurisdiction that  
3 has a similar regime to that of the PTO will also be found by  
4 me to be a fair use.

5 I will reserve the issue of attorney's fees sought by the  
6 defendants until the issue of the foreign communications is  
7 resolved.

8 It -- if I grant the converted motion for summary  
9 judgment on fair use for Winstead, I assume that moots the  
10 PTO's 12(c) motion.

11 MR. CASAGRANDE: Yes, your Honor.

12 THE COURT: All right. I will flush out in my  
13 written opinion my analysis of the four factors, but the Court  
14 is of the view that the record with respect to the number of  
11:41:39 15 copies made, the purpose for the copies, the lack of evidence  
16 and the inability to develop evidence as to how -- whether any  
17 clients were ever charged for any copies of these documents,  
18 the limited number of copies, and the use of the copies for  
19 purposes associated with the prosecution of the patent  
20 establishes as a matter of law fair use under Rule 56, and  
21 that will be the Court's ruling.

22 Are there any other issues that either party wants the  
23 Court to comment on today?

24 Yes.

25 MR. DUNNEGAN: Your Honor, I understood that our

11:42:21 1 motion for summary judgment with respect to the PTO's  
2 counterclaim was going to be considered today based upon an  
3 e-mail that I received from the Court last evening.

4 THE COURT: Well, I'm denying it as moot.

5 MR. DUNNEGAN: Okay.

6 MR. KRYDER: Your Honor, just one issue.

7 The Court indicated with respect to what is hopefully  
8 extremely narrow concerns only one e-mail.

9 THE COURT: I'm going to direct you all to confer.  
10 If you're not able to work out an agreement on how to tee this  
11 issue up for me, then if you can't reach agreement, then you  
12 will notify my clerk, I'll have a conference call with you,  
13 and I'll tell you how to tee it up.

14 MR. KRYDER: All right.

11:43:00 15 THE COURT: Is that what you were asking?

16 MR. KRYDER: Well, the Court indicated that if the  
17 regime is similar, for example, as the UK Patent Office, and  
18 they do everything exactly like the PTO, I don't know --

19 THE COURT: The record needs to be a little bit more  
20 precise.

21 Copies were furnished to who in connection with what  
22 under what particular regime, and what is the law with respect  
23 to that regime. Those are the things that I think are to be  
24 teed up.

25 If Mr. Dunnegan has other issues that he thinks are

11:43:35 1 germane to that issue -- Mr. Dunnegan, I know you're going to  
2 appeal this, and I welcome you to do that. I just -- I think  
3 it is a waste of your time and energy and your clients' money  
4 to go too far down the road with this one, rather develop the  
5 record as you need, and then take them all up together.

6 I don't think you would have filed this case if it were  
7 limited to there were two copies sent to some foreign lawyer  
8 in a place we don't know, but maybe you would. I don't know.

9 Let's develop the record. I'm going to rule consistent  
10 unless there is some reason to rule otherwise, and then you  
11 can have your appeal on all of them. Right now you have just  
12 got an interlocutory order.

13 All right. Anything else for today?

14 (No response.)

11:44:24 15 THE COURT: Interesting issues. Thank you for the  
16 very good argument.

17 Okay. Y'all may be excused. Thank you.

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**C E R T I F I C A T E:**

2  
3 I, P. Sue Englebow RPR/CSR, certify that the foregoing is  
4 a transcript from the record of the proceedings in the  
5 foregoing entitled matter.

6 I further certify that the transcript fees format comply  
7 with those prescribed by the Court and the Judicial Conference  
8 of the United States.

9 This is the 29th day of May, 2013.

10 /S/P. Sue Englebow

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13 P. SUE ENGLEBOW RPR/CSR No. 1170  
14 Official Court Reporter  
15 The Northern District of Texas  
16 Dallas Division  
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